

# HIGHLIGHTS OF THE ONE BIG BEAUTIFUL BILL ACT

01

## Tax Brackets - Income tax brackets were not changed!

### Permanent Extension of Existing Tax Brackets:

Section 70101 permanently extends the existing tax brackets of 10%, 12%, 22%, 24%, 32%, 35%, and 37%, originally enacted under the 2018 Tax Cuts and Jobs Act (TCJA).

Bracket	Single	HOH	MFJ
10%	\$0 - \$12,341	\$0 - \$17,621	\$0 - \$24,682
12%	\$12,341 - \$50,142	\$17,621 - \$67,115	\$24,682 - \$100,284
22%	\$50,142 - \$104,938	\$67,115 - \$104,938	\$100,284 - \$209,875
24%	\$104,938 - \$200,335	\$104,938 - \$200,335	\$209,875 - \$400,671
32%	\$200,335 - \$254,394	\$200,335 - \$254,394	\$400,671 - \$508,788
35%	\$254,394 - \$635,985	\$254,394 - \$635,985	\$508,788 - \$763,182
37%	\$635,985+	\$635,985+	\$763,182+

02

## Social Security Income Still Taxable Under OBBBA

- **No Change to Social Security Tax Rules:** Despite the new temporary age 65+ deduction, Social Security income remains subject to taxation under the existing rules.
- **Deduction Amount:** The deduction amount is \$6,000 for single filers and \$12,000 for joint filers where both spouses are 65 or older.
- **Same Deduction, Regardless of Type of Income:** The standard, current age 65+, and new 65+ deductions apply to all taxable income, not specifically to Social Security benefits.
- **Same Deduction, Regardless of Claiming Status:** A 65-year-old gets the same deduction whether they've started collecting Social Security or not.
- **Taxation is Based on "Provisional Income":** Provisional income = AGI + tax-exempt interest + 50% of Social Security benefits.
- **Thresholds:**
  - 0% Taxed: Below \$25,000 (single) / \$32,000 (joint)
  - 50% Taxed: \$25,000-\$34,000 (single) / \$32,000-\$44,000 (joint)
  - 85% Taxed: Above \$34,000 (single) / \$44,000 (joint)

03

## Increased SALT Deduction Limit

- New cap set at \$40,000 starting in 2025 for all filing statuses except Married Filing Separately (MFS).
- SALT deduction cap will increase by 1% annually from 2026 to 2029.
- Reverts back to \$10,000 in 2030, unless further legislation changes it.

Year	SALT Deduction Limit	MAGI Range for Deduction Phasedown
2025	\$40,000	\$500,000 - \$600,000
2026	\$40,400	\$505,000 - \$606,333
2027	\$40,804	\$510,050 - \$612,730
2028	\$41,212	\$515,151 - \$619,191
2029	\$41,624	\$520,302 - \$625,716
2030 & later	\$10,000	N/A

04

## Mortgage Interest Deduction

- \$750,000 indebtedness limit for deducting mortgage interest is retained from the Tax Cuts and Jobs Act (TCJA).
- Deduction applies only to "acquisition indebtedness":
  - Debt used to buy, build, or improve the home.
  - Excludes home equity loans or lines of credit used for other purposes.
- Pre-TCJA loans (before Dec. 15, 2017) are still grandfathered under the \$1 million limit.

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## Mortgage Insurance Premiums - Deduction Restored

- Previously deductible only through temporary extensions; expired in 2022.
- OBBBA permanently restores the deduction starting in 2026.
- Applies to mortgage insurance premiums (MIPs) commonly paid on:
  - FHA loans
  - VA loans
  - Conventional loans with <20% down payments

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## Charitable Contributions: Current AGI-Based Limits (Before OBBBA):

- Public charities:
  - Cash contributions deductible up to 60% of AGI
  - Noncash contributions deductible up to 50% (cost basis) or 30% (fair market value) of AGI
- Other organizations:
  - Cash contributions deductible up to 30% of AGI
  - Noncash contributions deductible up to 20% of AGI
- Carryforward allowed for up to 5 years if contribution exceeds limits

07

## New Charitable Contribution Rule from OBBBA (Effective 2026):

- Introduces a floor:
  - Only contributions exceeding 0.5% of AGI are deductible
- The 0.5% floor applies first, before applying the upper AGI-based limits

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## Charitable Contribution Deduction for Non-Itemizers

- Permanently restores the charitable deduction for non-itemizers starting in 2026.
- Increases the deduction limits to:
  - \$1,000 for single filers.
  - \$2,000 for married joint filers.
- Available to all standard deduction filers, regardless of other deductions or income level.

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## Qualified Overtime Compensation Deduction Summary

- Effective Years: 2025–2028
- Deduction applies to the overtime premium: the portion of pay above an employee's normal hourly wage.
- Deduction Limits:
  - \$25,000 for joint filers
  - \$12,500 for all other filers (single, head of household, etc.)
- Phaseout Thresholds:
  - Begins at \$150,000 MAGI for single/head of household filers
  - Begins at \$300,000 MAGI for joint filers
  - Phaseout rate: \$100 reduction for every \$1,000 over the threshold

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## New Auto Loan Interest Deduction

- Effective Years: 2025 through 2028.
- Eligible Loans:
  - Must be for new (not used) vehicles.
  - Vehicles must be for personal use (not business or resale).
  - Vehicles must be assembled in the U.S. (can be verified via the VIN).
- Qualifying vehicle types: new cars, vans, SUVs, pickup trucks, motorcycles.
- Excluded: RVs, ATVs, trailers, used vehicles.
- Loan Timing Requirements:
  - Deductible only for new loans originated after December 31, 2024.
  - Refinanced loans qualify if refinanced in 2025 or later without increasing the loan balance.
  - New loans on already-paid-off cars do not qualify.
- Deduction Limits:
  - Capped at \$10,000 of interest per year, not adjusted for inflation.
  - No limit on the number of loans that qualify.
- Income Phaseout:
  - Begins phasing out at:
    - \$100,000 MAGI for single filers.
    - \$200,000 MAGI for joint filers.
  - Deduction reduced by \$200 for every \$1,000 (or part thereof) over the limit.
  - Fully phased out at:
    - \$149,000 MAGI (single).
    - \$249,000 MAGI (joint).

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## Child Tax Credit

- Standard Child Tax Credit increases from \$2,000 to \$2,200 per qualifying child starting in 2025.
- Beginning in 2026, the credit will be indexed to inflation for the first time.
- The Additional Child Tax Credit (refundable portion) remains at \$1,700 for 2025, but is already indexed to inflation and will increase over time.
- Income phaseout thresholds remain unchanged:
  - Begins at \$200,000 for single/head-of-household filers.
  - Begins at \$400,000 for joint filers.
  - Credit is reduced by \$50 for every \$1,000 above these thresholds.
  - Phaseout thresholds are not indexed to inflation.

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## Expanded List of K-12 Expenses

- Effective July 4, 2025, 529 plan tax-free distribution rules expand for K-12 education.
- New eligible K-12 expenses include:
  - Curriculum materials, textbooks, instructional and online education materials
  - Tutoring (non-relative, qualified tutor)
  - Standardized test, AP, and college admission exam fees
  - Dual enrollment course fees (e.g., college courses in high school)
  - Educational therapy for students with disabilities (e.g., occupational, speech, behavioral)
- Annual limit increases from \$10,000 to \$20,000 per student beginning in 2026.
- Eligible for reimbursement if expenses and distribution both occur in 2025, even if expenses happened before July 4.

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## Post-secondary Credential Expenses

- 529 plans can now cover qualified postsecondary credentialing expenses, including:
  - Tuition, fees, books, and required materials for credential programs
  - Exam fees to obtain or maintain the credential
  - Continuing education fees required to maintain the credential
- Eligible credentials include:
  - Industry-recognized, accredited programs
  - Registered apprenticeships (Dept. of Labor)
  - State/Federal occupational licenses
  - Credentials defined by the Workforce Innovation and Opportunity Act