July 2025

IMPORTANT DATES

- **July 31st**
  - Deadline to file Form 5500 for 401(k) plans.
  - July is a great time to review your paystub and make any necessary changes for the 2nd half of the year to pre-tax deductions (401(k), HSA, etc.) and Federal and State income tax withholding.

TAX POLICY UPDATE

One Big Beautiful Bill Act (OBBBA)

By a narrow margin, the House and Senate passed the tax-and-spending package and President Trump signed the One Big Beautiful Bill Act (OBBBA) into law on July 4th. Included in the law are changes to taxes, federal spending, funding for Administration priorities, and a $5 trillion debt-ceiling increase. The final bill reflects a compromise between the competing demands of a divided Republican caucus that is made up of fiscal hawks and blue-state moderates who sparred over federal spending cuts and the state and local income tax deduction (SALT).

As expected, tax provisions within the Act are largely an extension of the 2017 Tax Cuts and Jobs Act (TCJA) that were set to expire at the end of 2025, which means that most taxpayers won't face scheduled tax increases on January 1, 2026 and many will receive additional tax relief, including on some tip and overtime wages, through higher state and local income tax exemptions, and a higher standard deduction for seniors.

We have highlighted the key provisions of the OBBBA below, the full text can be found here, and will send additional information in the coming weeks elaborating on deductions in the "What's New?" section below.

What's Extended?

- The Act keeps the **current income tax rates**, ranging from 10% to 37%, and adjusts the brackets for inflation. 2025 tax brackets and rates are as follows:

	Single		Married Filing Jointly	
Tax Rate	From	To	From	To
10%	$ -	$ 11,925	$ -	$ 23,850
12%	$ 11,926	$ 48,475	$ 23,851	$ 96,950
22%	$ 48,476	$ 103,350	$ 96,951	$ 206,700
24%	$ 103,351	$ 197,300	$ 206,701	$ 394,600
32%	$ 197,301	$ 250,525	$ 394,601	$ 501,050
35%	$ 250,526	$ 626,350	$ 501,051	$ 751,600
37%	$ 626,351	--	$ 751,601	--

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- The doubled **standard deduction**, currently $15,750 for single filers and $31,500 for married couples filing jointly, is made permanent (*see below under "What's New?" on an enhanced deduction for Seniors*).

- No changes to the **Corporate Tax Rate**, currently 21%.

- The deductibility of **mortgage interest** stays the same – taxpayers may deduct the interest on the first $750,000 of mortgage indebtedness but the deduction for home equity (HELOC) indebtedness is disallowed.

- The **20% qualified business income (QBI) deduction** for pass-through entities still applies. This was due to expire at the end of the year and is now permanent.

What Changes?

SALT Cap

- The Schedule A deduction for state and local property and income taxes (SALT) is **increased from $10,000 to $40,000** beginning in 2026, and increasing 1% per year thereafter, but phases down to $10,000 for taxpayers with income over $500,000. This is a temporary provision that ends in 2030 when it reverts to $10,000.

Child Tax Credit

- The Act makes permanent the $2,000 child tax credit enacted in 2017 and raises it to **$2,200 per child for 2025**. It will be indexed for inflation going forward.

Bonus Depreciation

- The Act permanently reinstates the 100% bonus depreciation for assets purchased after January 20, 2025, instead of the 40% bonus depreciation that applied this year without the change.

  Planning: *We will be discussing this with clients in the coming months, as this provision has signifcant implications for business owners and real estate investors.*

Estate & Gift Tax

- The Estate and Gift Tax has a new, permanent, base of **$15 million per person, $30 million for married couples, starting in 2026** and will be adjusted annually for inflation, an increase from $13.99 million in 2025. Importantly, there is no sunset on the estate tax exemption, which provides certainty for estate planning.

What's New?

Extra Deduction for Seniors

- Seniors age 65 and older will receive an **extra deduction of $6,000 per person**, if income is less than $150,000. The Social Security Administration estimates that 90% of seniors will pay zero tax on their Social Security benefits as a result of this extra deduction.

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Charitable Donations

- Beginning in 2026, donors will be allowed to deduct $1,000 for single filers and $2,000 for joint filers even if they don't itemize on Schedule A.
- A new limit on charitable deductions will also take effect next year – for itemizers, a portion of the charitable deduction (0.5% of AGI) will be disallowed. For example, a filer with $350,000 of AGI will get no deduction for the first $1,750 of charitable donations on Schedule A.

  Planning: *We will be discussing this with clients in the coming months, as it could be beneficial to accelerate donations into 2025 to avoid next year's limit.*

Auto Loan Interest

- Auto loan interest will be tax deductible up to $10,000 on personal use vehicles made in the US, phased out at income over $100,000 ($200,000 for joint filers).

Tax Break on Tips & Overtime

- Tipped and overtime workers will be able to deduct some wages from federal income tax: tipped wages up to $25,000 can be deducted, and overtime wages up to $12,500 can be deducted ($25,000 per couple). Both provisions have income limits of $150,000 per individual. This policy is temporary and will expire at the end of 2028.

EV & Clean Energy Home Improvement Credits

The Electric Vehicle credit for purchases of new or used vehicles will **expire on auto purchases made after September 30th this year**.

Home **energy improvement projects must be completed by December 31, 2025,** to be eligible for credits.

Planning: *We will be discussing this with clients in the coming months, as it could be adventageous to accelerate EV purchases and home improvement projects.*

Trump Accounts

"Trump savings accounts" will be automatically funded for children born over the next four years, between 2025 and 2028, with $1,000 in federal seed money. The beneficiaries will be allowed to withdrawal up to 50% of their balance at age 18, and full balance at 25, for qualified purchases (education, house purchase, or to start a business) before gaining full control of the entire balance at age 30 for any use. Parents can also add up to $5,000 per year until the beneficiary turns 18. The accounts will be invested in S&P 500 index funds.

Thank you for taking the time to read this letter. As always, please let us know if you have any questions related to your investments, taxes, or general financial planning or if there have been any changes to your overall situation.

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