

Navigating the One Big Beautiful Bill Act:

WHAT YOU NEED TO KNOW

The One Big Beautiful Bill Act (OBBA), signed into law on July 4, 2025, introduces a wide range of tax changes that will directly impact individuals, businesses, and the financial services industry. With sweeping tax changes and detailed provisions, it can be a lot to unpack.

This document is designed to help you quickly understand the key provisions of the new law. From permanent extensions of popular business deductions to significant shifts in international tax policy and family-related credits, this summary highlights what you need to know to stay informed.

IMPORTANT PERMANENT EXTENSIONS OF THE TAX CUTS AND JOBS ACT (TCJA)

TCJA Individual Tax Brackets and Rates (10%, 12%, 22%, 24%, 32%, 35%)	Generation Skipping Transfer Tax (\$15M starting in 2026)
Mortgage Interest Deduction (\$750K)	Federal Estate/Gift Tax Exemption (Increased to \$15M starting in 2026)
Corporate Tax Rate (21%)	Capital Gains Rates (0%, 15%, 20%)

New Hybrid Deductions and Interpretation

The new special deductions can be considered as hybrid deductions—neither strictly above-the-line nor below-the-line. These deductions do not affect Adjusted Gross Income (AGI) & may be claimed regardless of whether the taxpayer chooses the standard deduction or itemizes deductions. Auto Loan Interest, Charitable, Overtime, Senior, Tips & QBI deductions are all interpreted to be special “Hybrid Deductions”.



HIGHLIGHTS

Provision	Update/Change
Charitable Deduction	<p>0.5% AGI Floor for <i>itemized deductions</i> (analogous to 7.5% medical expenses).</p> <p>Cash donations directly to eligible charities qualify for \$1K(S) or \$2K(J) hybrid deduction if utilizing <i>standard deduction</i>, DAF donations do not qualify.</p>
Individual Tax Brackets	<p>All tax rates and brackets from 2017 TCJA are made “permanent” with the exception that the 10% and 12% brackets, which are expanded slightly.</p>
Limit on Itemized Deductions for 37% Tax Bracket	<p>Deductions taken at the highest tax bracket are limited to 35% of their value. This restriction reduces the full benefit of itemized deductions for top earners.</p>
Overtime	<p>Only excess bonus overtime is considered non-taxable. Example: If an individual is paid \$10 per hour and works overtime, only \$5 of the \$15 per hour is considered non-taxable.</p>
SALT Cap Deduction	<p>SALT Deduction has increased from \$10K to \$40K, subject to phaseouts, a minimum \$10K deduction is available regardless of income.</p>
Senior Deduction	<p>Increased Standard Deduction of \$6k for those over 65, subject to phaseouts.</p>
Tips	<p>Exclusion of up to \$25K on tips. The IRS is expected to issue additional guidance on qualifying occupations. Specified Service Trade or Business jobs (SSTB’s) do not qualify for Tips deductions (attorneys, health, financial management, etc.).</p>
Trump Accounts	<p>A \$1K government-funded benefit is available for all children born between 2025 and 2028, with no income-based eligibility restrictions. Investment-related fees are capped at a maximum of 0.1%. Contributions, which are not tax-deductible, may begin in July 2026.</p>
Qualified Small Business Stock (QSBS)	<p>The business capitalization limit of \$50M has been increased to \$75M. The QSBS holding period for gain exclusion begins in Year 3. Full exclusion of gains on the value of the shares becomes available by Year 5.</p>



TAX CHANGES FOR INDIVIDUALS

Provision	Update/Change	Phase-Outs (MAGI)	Duration
Auto Loan Interest Deduction	\$10K	\$100K-\$149K(S) \$200K-\$249K(J)	2025 – 2028
Charitable Deduction	0.5% AGI Hurdle Rate	N/A	Permanent Beginning 2026
Child Tax Credit	\$2.2K per child	Phase-out thresholds unchanged: \$200K (S), \$400K (J)	Permanent Beginning 2025
HSA	No new HSA contributions allowed if enrolled in Medicare Part A	N/A	Permanent
Increased Standard Deduction	\$15K(S)/\$30K(J) to \$15.75K(S)/\$31.5K(J)	N/A	Permanent Beginning 2025
Limitation on Itemized Deductions at 37% Bracket	Taxpayers in the 37% bracket will see their tax liability reduced by 35 cents instead of 37 cents, per dollar.	Affects those in the highest Tax Bracket (37%)	Permanent Beginning 2026
Overtime Deduction	\$12.5K (S), \$25K (J)	\$150K-\$400K (S) \$300K-\$550K (J)	2025 - 2028
Qualified Opportunity Zones (QOZ)	Adjustments to QOZ Provisions	N/A	Permanent
SALT Deduction Cap	Increased to \$40K	\$500K - \$600K (S), (J) \$250K - \$300K (MFS)	2025 – 2029
Senior Deduction	\$6K additional deduction at 65	\$75K-175K(S) \$150K-\$350K(J)	2025–2028
Tips Deduction	\$25k	\$150K-\$400K (S) \$300K-\$550K (J)	2025 – 2028
Trump Savings Account	Child IRA \$1K gov. seed if child born 2025-2028	No income phase-out. Available for children under 18. Distributions allowed after age 18	2025 – 2028



BUSINESS TAX UPDATES

Provision	Update/Change	Benefit/Impact	Duration
§174 R&D Expense	Domestic R&D expenditures are now fully deductible in the tax year in which they are incurred	Companies benefit from increased liquidity	Permanent Beginning 2025
§179 Bonus Depreciation	\$1M limit increased to \$2.5M	Increases qualifying expense available	Permanent Beginning 2026
§199A QBI Deduction	Phase-In Decreased	More QBI Deductions	Permanent Beginning 2026
§1202 Qualified Small Business Stock (QSBS)	Gain exclusion increased from \$10M to \$15M Changes apply to QSBS acquired post-July 4, 2025	More companies qualify for QSBS treatment & higher gain exclusion	Permanent Beginning July 2026



EDUCATION AND STUDENT LOANS

Provision	Annual Cap	Additional Detail	Duration
529 Qualified Distribution Limit for K-12 expenses	\$20K	Expanded qualifying distributions including K-12 educational materials, tutoring, educational therapy, testing fees (e.g., SAT, AP Tests)	Permanent Beginning July 2025
Deferments on loans for hardship/unemployment	Eliminated	No longer available; limited forbearance allowed	Permanent Beginning July 2027
Educator Expenses Itemized	N/A	Educator expenses can be itemized	Permanent Beginning 2026
Grad PLUS Loan Elimination	Eliminated	No new Grad PLUS loans	Permanent Beginning July 2026
Parent PLUS (for undergraduate)	\$20K	Limits on Parent PLUS Loans	Permanent Beginning July 2026
SGO Scholarship Credit	\$1.7K(S) \$3.4K(J)	Dollar-For-Dollar Tax Credit for contributions to Scholarship Granting Organizations (SGOs)	Permanent Beginning 2027



CLEAN ENERGY ROLLBACKS

Tax Credit	Credit Amount	Sunset Date
Clean Vehicle Credit	Up to \$7.5K for new & \$4K for used EV	Vehicle must be acquired by September 30, 2025
Alternative Fuel Vehicle Refueling Property Credit	Up to \$1K for EV charging equipment	Property must be placed in service by June 30, 2026
Energy Efficient Home Improvement Credit	Up to \$2K towards the cost of home energy efficiency equipment (windows, doors, HVAC, etc.)	Property must be placed in service by December 31, 2025
Residential Clean Energy Credit	Up to 30% of the cost of solar panels, heat, geothermal, wind power, etc.	Property must be paid for by December 31, 2025

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