What families need to know about the new tax law

The One, Big, Beautiful Bill Act (OBBBA) has introduced significant tax changes that could affect families across the country. While many of the provisions aim to provide financial relief, the new rules can be complex. Below is an overview of the key changes.

Adoption credit enhanced

Parents who adopt may be eligible for more generous tax relief. Under current law, a tax credit of up to $17,280 is available for the costs of adoption in 2025. The credit begins to phase out in 2025 for taxpayers with modified adjusted gross income (MAGI) of $259,190 and is eliminated for those with MAGI of $299,190 or more.

If you qualify, the adoption credit can reduce your tax liability on a dollar-for-dollar basis. This is much more valuable than a deduction, which only reduces the amount of income subject to tax.

What changed? Beginning in 2025, the OBBBA makes the adoption tax credit partially refundable up to $5,000. This means that eligible families can receive this portion as a refund even if they owe no federal income tax. Previously, the credit was entirely nonrefundable, limiting its benefit to families with sufficient tax liability. The refundable amount is indexed for inflation but can’t be carried forward to future tax years.

Child Tax Credit increased, and new rules imposed

Beginning in 2025, the OBBBA permanently increases the Child Tax Credit (CTC) to $2,200 for each qualifying child under the age of 17. (This is up from $2,000 before the law was enacted). The credit is subject to income-based phaseouts and will be adjusted annually for inflation after 2025.

The refundable portion of the CTC is made permanent. The refundable amount is $1,700 for 2025, with annual inflation adjustments starting in 2026.

The MAGI phaseout thresholds of $200,000 and $400,000 for married joint-filing couples are also made permanent. (However, these thresholds won't be adjusted annually for inflation.)

Important: Starting in 2025, no CTC will be allowed unless you report Social Security numbers for the child and the taxpayer claiming the credit on the return. For married couples filing jointly, a Social Security number for at least one spouse must be reported on the return.

Introduction of Trump Accounts

We're still in the early stages of learning about this new type of tax-advantaged account but here's what we know. Starting in 2026, Trump Accounts will offer some families a way to save for the future. An account can be set up for anyone under age 18 at the end of the tax year who has a Social Security number.

Annual contributions of up to $5,000 (adjusted annually for inflation after 2027) can be made until the year the child turns 18. In addition, U.S. citizen children born after December 31, 2024, and before January 1, 2029, with at least one U.S. citizen parent, may potentially qualify for an initial $1,000 government-funded deposit.

Contributions aren't deductible, but earnings grow tax deferred as long as they're in the account. The account generally must be invested in exchange-traded funds or mutual funds that track the return of a qualified index and meet certain other requirements. Employers may make contributions to Trump accounts on behalf of employees' dependents. Withdrawals generally can't be taken until the child turns age 18.

Even more changes

Here are three more family-related changes:

The child and dependent care credit. This credit provides parents a tax break to offset the cost of child care when they work or look for work. Beginning in 2026, there will be changes to the way the credit is calculated and the amount of income that parents can have before the credit phases out. This will result in more parents becoming eligible for the credit or seeing an increased tax benefit.

Qualified expenses for 529 plans. If you have a 529 plan for your child's education, or you're considering starting a plan, there will soon be more opportunities to make tax-exempt withdrawals. Beginning in 2026, you can withdraw up to $20,000 for K-12 tuition expenses, as well as take money out of a plan for qualified expenses such as books, online education materials and tutoring. These withdrawals can be made if the 529 plan beneficiary attends a public, private or religious school.

Sending money to family members in other countries. One of the lesser-known provisions in the OBBBA is that the money an individual sends to another country may be subject to tax, beginning in 2026. The 1% excise tax applies to transfers of cash or cash equivalents from a sender in the United States to a foreign recipient via a remittance transfer provider. The transfer provider will collect the tax as part of the transfer fee and then remit it quarterly to the U.S. Treasury. Transfers made through a financial institution (such as a bank) or with a debit or credit card are excluded from the tax.

What to do next

These and other changes in the OBBBA may offer substantial opportunities for families — but they also bring new rules, limits and planning considerations. The sooner you start planning, the better positioned you'll be. Contact us to discuss how these changes might affect your family's tax strategy.