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In the news

One Big Beautiful Bill Act

On July 4, 2025, H.R.1 2025 Budget Reconciliation Act, the "One Big Beautiful Bill Act" (OBBBA), was signed into law. It is described as the largest tax cut in history and includes provisions for landmark investments in America. This law made permanent many provisions from the Tax Cuts and Jobs Act (TCJA) of 2017. It also introduced many new provisions for individuals, businesses, and estates. Many provisions are effective in 2025, some are permanent, while others are temporary.

What's happening

	2025 TCJA – Law Prior to Passage of OBBBA	OBBBA
Tax Rates	10%, 12%, 22%, 24%, 32%, 35% and 37%, each with higher income thresholds (top rate applies at $751,600 for joint filers), inflation-indexed. Sunsets to higher pre-TCJA rates and lower bracket thresholds in 2026.	TCJA rates made permanent as of 2026. Extra year of inflation adjustment to the lower three brackets.
Standard Deduction	$15,000 for single filers and $30,000 for joint filers. Personal exemption repealed. Sunsets in 2026 to $8,350 for single filers and $16,700 for joint filers, with return of personal exemption.	TCJA standard deduction made permanent and raised in 2025 ($15,750 for single filers; $31,500 for joint filers), as inflation-indexed. Personal exemption remains repealed.
Mortgage Interest Deduction	$750,000 limit on mortgage debt eligible for interest deduction. No deduction for interest on home equity lines. Sunsets in 2026, when limit increases to $1 million, and interest of up to $100,000 of home equity debt allowed.	TCJA rules made permanent
State and Local Tax (SALT) Limit	$10,000 maximum deduction for single and joint filers. Sunsets in 2026, which would allow larger itemized SALT deductions.	Temporarily raised to $40,000 in 2025, $40,400 in 2026, and then 1% annual increases over the prior year for 2027, 2028, and 2029. Reverts to $10,000 in 2030. Phases down (but not below $10,000) for those with modified adjusted gross income (AGI) over $500,000 in 2025 and $505,000 in 2026 and then increases 1% annually in each of the three following years. Deduction is subject to new limit on itemized deductions.
Misc. Itemized Deductions	No miscellaneous itemized deductions (e.g., investment fee, tax preparation fees, etc.). Sunsets in 2026, with miscellaneous itemized deductions allowed in excess of 2% of AGI.	TCJA rules made permanent as of 2026, but unreimbursed employee expenses for eligible educators removed as miscellaneous itemized deductions.
Limits on Itemized Deductions	Repealed the "Pease" limitation, which reduced itemized deductions by 3% of the specified AGI threshold, with the reduction capped at up to 80% of a taxpayer's itemized deductions. Sunsets in 2026, and Pease limitation is restored.	As of 2026, Pease limitation is repealed. New limit reduces all itemized deductions, including SALT, by 2/37 of the lesser of (i) total itemized deductions or (ii) amount of taxable income in excess of 37% bracket threshold. Does not apply to determination of the deduction for qualified business income from pass-through entities.

	2025 TCJA – Law Prior to Passage of OBBBA	OBBBA
Charitable Income Tax Deduction	Itemizers can deduct a portion of charitable contributions, subject to limitations based on type of contribution, such as a limit of 60% of AGI for cash gifts to public charities. Sunsets in 2026 to pre-TCJA law (e.g., limit of 50% of AGI for cash gifts to public charities).	As of 2026, itemizers can deduct charitable contributions only to the extent they exceed 0.5% of the taxpayer's contribution base. Carryforwards also allowed only if this 0.5% threshold is met. 60% AGI limit for cash gifts to public charities is retained. Non-itemizers can deduct up to $1,000 (single filers) and $2,000 (joint filers) for charitable contributions.
Alternative Minimum Tax (AMT)	Higher AMT exemptions for individuals ($88,100 for single filers and $137,000 for joint filers) and increased income levels for phaseout ($626,350 for single filers and $1,252,700 for joint filers). Preference items (like SALT deduction) remain repealed or reduced. Sunsets in 2026 to lower pre-TCJA AMT exemptions and phaseouts (likely eliminating potential benefits of SALT cap removal).	Permanently extends TCJA's individual AMT exemption amounts in 2026, as inflation-indexed. Thresholds for phaseout of the exemption revert to 2018 levels ($500,000 – single filers; $1 million – joint filers), inflation-indexed thereafter. Phaseout is increased from 25% to 50% of amount by which taxpayer's AMT income exceeds the applicable exemption phaseout threshold.
Estate and Gift Tax	40% max tax rate. Exemptions at $13.99 million per individual, inflation-indexed. Sunsets in 2026 to an estimated $7.2 million.	Permanently raises exemptions to $15 million in 2026, inflation-indexed thereafter.
Qualified Business Income (aka SEC. 199A) Deduction	Qualifying business owners of pass-through entities (LLCs, partnerships, S corporations) can deduct up to 20% of QBI. Sunsets in 2026, resulting in some pass-through entities being taxed at higher rates than C corporations.	As of 2026, deduction made permanent at 20% of QBI. Expands deduction limit phase-ins from $50,000 to $75,000 (single filers) and from $100,000 to $150,000 (joint filers), including for specified service trades or businesses and pass-through entities subject to wage and investment limitations. Adds minimum deduction of $400, inflation-indexed, for taxpayers with $1,000+ of QBI.

Provisions newly created starting in 2025:

New increase to standard deduction for seniors

Qualified individuals who attained age 65 before the close of the taxable year may be eligible for a $6,000 deduction. If married filing jointly and both spouses are 65 or older, they may receive up to a $12,000 deduction. This deduction will phase out at 6% for modified adjusted gross income over $75,000 for single filers and $150,000 for joint filers. This provision was meant to satisfy the campaign promise of no tax on Social Security. This was an alternative, since Congress could not have changed the revenue to Social Security through the reconciliation process due to the Byrd rule. The Council of Economic Advisors has indicated 88% of all seniors (51.4 million) who receive Social Security will pay no tax on their Social Security benefits. This provision is temporary and effective for tax years 2025 through 2028.

New car loan interest deduction

If you buy a new qualified passenger vehicle with at least two wheels in years 2025 through 2028 that was assembled in the U.S., you may be able to deduct some or all interest from that vehicle's loan, whether you itemize your deductions or not. The deduction is limited to $10,000 and will begin to phase out by $200 for every $1,000 of modified adjusted gross income above $100,000 for single filers and $200,000 for joint filers. An applicable passenger vehicle includes a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle.

New qualified tip deduction

If you work in an industry that is accustomed to receiving tips, you may be able to deduct up to $25,000 for qualified tips. This deduction is available whether you itemize your deductions or not and will phase out by $100 for every $1,000 of modified adjusted gross income above $150,000 for single filers and $300,000 for joint filers. This provision is temporary and effective for tax years 2025 through 2028.

New qualified overtime compensation deduction

If you work more than your regular hours and receive overtime compensation that is in excess of your regular rate, you may be able to deduct up to $12,500 ($25,000 in the case of a joint return). The overtime compensation must be reported separately on Form W-2 or Form 1099, if you are not an employee. This deduction is available whether you itemize your deductions or not and will phase out by $100 for every $1,000 of modified adjusted gross income above $150,000 for single filers and $300,000 for joint filers. This provision is temporary and effective for tax years 2025 through 2028.

New Trump account

These new accounts are setup for the benefit of individuals who are not yet age 18 by the end of the calendar year. These accounts are individual retirement accounts as defined in section 408(a). There is a four-year pilot program for children born after Dec. 31, 2024, but before Jan. 1, 2029, where the Trump account is prefunded with a $1,000 government deposit. Contributions can be made up to $5,000 a year, until the child is age 18. Contributions are not allowed until 12 months after the passage of the act, which would be July 4, 2026. No distributions are allowed until age 18, and they can be used for higher education, to start or support a small business, or for a first-time home purchase.

Action steps

Talk to your financial professional about your personal impact from any of the new provisions or provisions from the Tax Cuts and Jobs Act that are now permanent. The personal impact to your tax situation or estate plan may warrant consultation with a tax professional or legal representative as well. Transamerica is here to step up, tune in, and be a force for good to help you live your best life.

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