



After more than a month of debate (along with several last-minute reconciliation amendments to garner enough support), Congress approved President Trump's One Big Beautiful Bill Act (OBBBA), and the President signed the new tax legislation into law on July 4. The OBBBA makes permanent the individual tax code changes implemented as part of 2017's Tax Cuts and Jobs Act (TCJA) such as:

- Restructuring individual tax brackets to lower effective individual tax rates
- Nearly doubling the standard deduction amount
- Decoupling capital gains taxes from income tax brackets
- Doubling the individual lifetime gift and estate tax exemption

Additionally, several provisions in the new bill introduce potentially impactful tax law changes which (although some implementation details remain to be ironed out) we feel every BLBB client should be familiar with:

Individual Tax Provisions Under the 2025 Tax Reform:

- **Standard Deduction Increase:** The standard deduction in 2025 will increase to \$15,750 (\$31,500 for married couples filing jointly).
- **SALT Deduction Cap Changes:** It raises the cap on the state and local tax deduction to \$40,000 for taxpayers making less than \$500,000, with the cap reverting to \$10,000 after five years.
- **Tax Bracket Adjustments:** The legislation adjusts the top of the 10% and 12% income tax brackets for 2025 to account for an additional year of inflation.

Estate, Gift, and Generation Skipping Tax Exemption:

- For 2025, the federal estate, gift and Generation Skipping Transfer Tax (GST) exemption is \$13.99 million per individual (\$27.98 million for married couples).
- Starting in 2026, the federal estate, gift, and GST exemption will increase to \$15 million per individual (\$30 million for married couples), indexed for inflation.
- Strategies such as Spousal Lifetime Access Trusts (SLATs), Dynasty Trusts, and permanent life insurance within those structures will remain central financial planning tools for 2025.

Qualified Business Income (QBI) Deduction – Section 199A:

- The 20% deduction for pass-through income is made permanent, preserving valuable business tax incentives and tax planning opportunities for business owners.

Roth Conversions:

- With income tax rates unchanged, Roth conversions remain attractive for clients expecting higher tax rates in retirement.

Research and Development:

- The OBBA suspends required capitalization of domestic research and experimental expenditures for amounts paid or incurred in taxable years beginning after December 31, 2024, and before January 1, 2030.

Section 179 Expansion:

- There's an increase in the Section 179 deduction cap to \$2.5 million for immediate expensing of business equipment.

Other Notable Provisions:

- Tip Income Deduction: Under the OBBA provision, tips still count as income and need to be reported, but taxpayers will receive a deduction at the federal level for tips earned during the qualifying years.
- Remittance Tax: The legislation imposes tax on cash payments sent by non-citizens to their home countries.
- Federal Safety Net: The legislation includes changes to Medicaid and SNAP benefits that may impact our clients' financial planning. These modifications may result in coverage gaps for family members, potentially increasing out-of-pocket healthcare costs and family support obligations for clients and their dependents.

Overall Impact of the One Big Beautiful Bill Act (OBBBA):

In total, the OBBBA contains approximately \$4.5 trillion in tax cuts over ten years – realized primarily through reductions in corporate and individual income taxes along with various other related tax law changes.

On the plus side, this legislation represents a significant expansion of tax cuts and business tax incentives – with most provisions aimed at extending or making permanent tax reductions that were set to expire. What is somewhat concerning, however, is the fact that The Committee for a Responsible Federal Budget estimates the OBBBA will add \$2.4 trillion to the federal deficit over the next decade (and \$3.0 trillion to U. S. national debt including interest payments).

Although these new provisions in the One Big Beautiful Bill Act are now law, the specifics of their implementation are still being determined. We expect further guidance to come from the IRS in due course and will convey that information (along with any insights into the economic impact of another round of threatened tariffs), as soon as we can accurately assess their impact on your tax planning.

As always, if you have any questions or concerns, please reach out to your BLBB advisor to discuss whether any adjustments or updates to your asset allocation or overall financial plan may be beneficial (215-643-9100).

BLBB does not provide tax advice. Please consult your personal tax advisor.



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