

UNDERSTANDING THE “ONE BIG BEAUTIFUL BILL ACT”

What it means for you



You’ve probably heard about the changes to the tax code included in the “One Big Beautiful Bill Act” (OBBBA), which is now law. From a high level, the changes in the law will impact the financial lives of millions of Americans. The law includes spending cuts to Medicaid and food assistance, spending increases in areas like defense and immigration enforcement, and makes permanent the tax cuts from 2017. Overall, the act has been projected to add an estimated \$3.3 trillion to the national debt over the next 10 years.

While all of the provisions of the act are important to the people whose lives they impact, this white paper focuses on the provisions expected to directly affect the demographic likely to work with a financial advisor or financial services professional. This is intended to summarize these key provisions and explain the practical steps a reader may want to consider.

1. Extension of the 2017 Tax Cuts and Jobs Act (TCJA)

What changed? The individual income tax brackets and the larger standard deduction that were set to expire Dec. 31, 2025, are now **permanent**.

What it means to you

- **Long-term planning clarity.** Knowing that brackets will not automatically jump higher in 2026 makes it easier to forecast lifetime tax liability, decide when to realize capital gains, or convert to a Roth IRA.
- **Roth conversion window stays open.** If your current marginal rate is lower than what you expect in retirement, you still have an opportunity to convert traditional IRA/401(k) money at the lower rate.
- **Standard deduction versus itemizing.** With a permanently higher standard deduction, many households will continue not to itemize. That matters for charitable giving strategy, particularly if you itemize — you may benefit more from bunching gifts into alternating years.

Action step: Run your multi-year tax projection with your financial services professional to see whether bunching income (or deductions), Roth conversions, etc., make sense for you.

2. SALT Deduction Cap

What changed? The cap on deducting state and local taxes (income tax and property tax) rises from \$10,000 to **\$40,000 for tax year 2025**, phases out at higher incomes and reverts to the \$10,000 cap in 2030.

What it means to you

- **High-tax-state relief (temporarily).** If you own a home in, say, New York or California, you may once again get a meaningful federal deduction for property taxes (but only for five years).
- **Alternative minimum tax (AMT) interaction.** If you're subject to AMT, the higher cap could still be limited, so review your AMT exposure.

Action step: If you have a large increase in taxable income in 2025-2029, you may want to coordinate it with the temporary SALT window.

3. Senior Deduction – \$6,000 Per Person Age 65+ (2025-2028)

This new deduction phases out beginning at \$75,000 (single filers)/\$150,000 (joint filers). The new deduction is in addition to the current senior deduction of \$2,000 (single) or \$1,600 per person if married (whether filing jointly or separately), which remains the same.

What it means relative to Social Security taxation

- Despite information you may have heard, this act does not directly impact the taxation of Social Security. While the new senior deduction will further reduce your taxable income — potentially resulting in fewer taxes — it will not impact the amount of your Social Security that is subject to taxation or the amount you are required to pay for the Medicare IRMAA surcharge.

Action step: Retirees should ask their advisor to revisit their retirement income sources based on this additional deduction.

4. Other New Temporary Deductions (2025-2028)

• *Deduction for Income on Tips*

Change: Up to **\$25,000 of qualified tip income** is now deductible, phasing out at \$150,000/\$300,000 of AGI.

Meaning: Servers, barbers, ride share drivers, or anyone whose livelihood relies on tips could reduce **taxable** income — effectively lowering self-employment tax as well. Keep meticulous daily tip logs; the IRS will likely scrutinize this deduction.

• **Overtime Pay Deduction**

Change: Deduct up to **\$12,500** of overtime pay (double for joint filers), with the same income phase outs.

Meaning: Nurses, police officers, and seasonal workers who rely on overtime can offset the income spike that often pushes them into a higher marginal bracket.

• **Car Loan Interest Deduction**

Change: Deduct up to **\$10,000 of interest** on loans for vehicles **assembled in the U.S.**

Meaning: This effectively lowers the after tax cost of financing a new vehicle, but only if final assembly occurs domestically — check the VIN's plant code before purchasing. This phases out at incomes of \$100,000/\$200,000.

5. Child Savings Accounts (“Trump Accounts”) for Kids

What changed? Every child born between 2025-2028 can receive a \$1,000 government-funded starter account. Accounts are fundable at up to \$5,000 per year, per child, with tax-free growth and preferential tax treatment for qualified withdrawals.

What it means to you

- **Early compounding.** A government-seeded \$1,000 growing at 9% for 18 years could be worth ~\$4,717 — more if there are additional contributions.
- **Flexible alternative to 529 Plans.** Qualified uses extend beyond tuition, making it appealing if college isn't the only goal.

Action step: As details around these accounts become clear, parents may want to consider how they allocate money to a Child Savings Account versus a 529 or other savings vehicles.

6. Permanent Increase in the Federal Estate Tax Exemption

What changed? The increases in the federal estate and gift tax exemption included in the 2017 Tax Cuts and Jobs Act are now permanent. From 2026 forward, the exemption rises to **\$15 million per person/ \$30 million per married couple**, indexed for inflation.

What it means for multi-generation family farms and businesses

- **Reduced liquidity crunch.** Previously, land rich but cash poor families often had to sell acreage to cover estate tax within nine months of death. The higher threshold means fewer farm or ranch estates will owe federal tax.
- **Use the breathing room wisely.** Families can now take time to set up succession plans, conservation easements, or family limited partnerships without the pressure of immediate tax liability.

Action step: Talk to your financial services professional and coordinate with your estate planning attorney to ensure your assets are protected and will transfer in the most tax-efficient way possible.

7. Changes to Charitable Giving

What changed? Non-itemizers can deduct \$1,000 (single)/\$2,000 (joint) in 2026. For people who do itemize, there are new limits in the top tax bracket and there is a new “floor” on deductions.

What it means to you

- Since the increase of the standard deduction, fewer people are itemizing their deductions. Prior to the changes in the new law, itemizing was necessary to receive a charitable deduction. Extending the option of \$1,000/\$2,000 charitable deductions to non-itemizers will likely result in more non-itemizers donating to charitable organizations.
- For charitable givers in the 37% bracket, the benefit of itemized deductions is capped at 35%. For example, someone in the 37% bracket donating \$1,000 would only be able to receive a \$350 deduction instead of the current \$370. This is effective in 2026.
- In addition, itemizers can only deduct the portion of their donations that exceeds 0.5% of their adjusted gross income (AGI). For example, if your AGI is \$300,000, the first \$1,500 of your charitable giving doesn't count toward your deduction — you can only deduct what you give beyond that amount. This is effective in 2026.

Action step: If you itemize, discuss these changes with your tax professional to determine how to best proceed with charitable donations. If you do not itemize, you will have the option to claim charitable deductions in 2026.

Next Steps

1. **Map your own timeline.** Several provisions are temporary; put key dates (2025-2028 deductions, 2030 SALT reversion) on your financial calendar.
2. **Coordinate strategies.** Work with your financial advisor, CPA, and estate attorney to ensure your tax, investment, and estate plans all reflect the OBBBA rules.
3. **Stay flexible.** As with any large bill, technical corrections or state level changes may follow. Plan but be ready to pivot.

Questions? We're here to help you translate legislation into actionable strategies for your situation. Call our office to schedule an appointment to discuss how the **One Big Beautiful Bill Act** may impact your financial roadmap.



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