



Tax Update - One Big Beautiful Bill Act

Congress has passed the One Big Beautiful Bill Act (OBBBA), a historic and wide-ranging piece of legislation poised to impact the tax landscape, retirement planning, charitable giving, and more. Whether you are a high-income earner, a retiree, a business owner, or building multi-generational wealth, this bill carries implications worth understanding. Here we provide an initial read on the specific policies themselves. The true impact of these changes on the economy and on market behavior will be realized gradually over a longer period of time.

Tax Relief and Permanency: Certainty for Long-Term Planning

The bill delivers long-sought certainty by making the 2017 Tax Cuts and Jobs Act provisions permanent. Most importantly, this will maintain the current tiered structure for individual income taxes with tax rates ranging from 10% to 37%, preventing the top rate from moving to 39.6%.

The bill also raises the standard deduction to the following levels:

- Single - \$16,750
- Head of Household - \$25,125
- Married Filing Jointly - \$33,500

Seniors (65 and older) will continue to receive an additional standard deduction. That deduction has been raised to \$2,000 per person for single filers or \$3,200 for married couples.

New & Enhanced Tax Benefits for Working Families and Retirees

Several provisions are designed to support working families, retirees, and those approaching retirement, including:

- Tips and Overtime Deduction: Up to \$25,000 deduction for workers earning under \$150,000.
- Child Tax Credit Increase: Boosted to \$2,500 per child, reverting to \$2,000 after 2028.
- Senior Tax Deduction: Up to \$6,000 deduction for seniors, phasing out for individuals with income above \$75,000 (\$150,000 for couples).
- Auto Loan Interest Deduction: Deduct up to \$10,000 annually for interest on vehicles assembled in the U.S. (2025–2028 only).

State and Local Tax (SALT) Deduction Increase

The OBBBA raises the SALT deduction cap from \$10,000 to \$40,000 for households earning under \$500,000. This will apply for a period of five years after which it will revert back to the \$10,000 level.

Trump Accounts: A New Tool for Multi-Generational Planning

The bill introduces “Trump Accounts”, a new tax-deferred savings vehicle for children. For children born between January 1, 2025 and December 31, 2028, an account may be opened, and the government will make a one-time \$1,000 contribution. Additional after-tax contributions of up to \$5,000 annually can be made. Growth is tax-deferred, and distributions are expected to be taxed at favorable capital gains rates, with specific tax treatment varying based on the timing and purpose of withdrawals. Beneficiaries may access the funds starting at age 18 for qualified expenses such as education and will have full access to the funds at age 30.

Estate Planning and Charitable Giving Provisions

The bill will raise the Federal estate and gift tax exemption to \$15 million per individual and \$30 million for married couples, making those levels permanent and adjusted annually for inflation. The legislation also enhances Qualified Charitable Distributions (QCDs) by allowing one-time, \$50,000 gifts to split-interest charitable vehicles like charitable gift annuities or charitable remainder trusts. IRA owners aged 70.5 or older can make a one-time tax-free transfer of up to \$50,000 from their IRA to a qualifying entity such as a Charitable Remainder Trust (CRT), subject to certain restrictions. This distribution would count towards the Required Minimum Distribution (RMD) for that year and is excluded from taxable income.

Health Care and Broader Policy Impacts

The OBBBA introduces work requirements for Medicaid recipients ages 19 to 64, adds more frequent eligibility checks, and reduces federal funding for Medicaid by over \$1.2 trillion. The bill will rescind a number of clean energy incentives from the Inflation Reduction Act and mandate increased oil and gas lease sales on public lands.

Defense & Border Security Provisions

The bill increases spending in a number of areas. Among them, a \$150 billion increase in defense spending, including funding for new missile defense systems and \$46.5 billion allocated for expanded border infrastructure and enforcement.

Fiscal Impacts of the Bill

According to the Congressional Budget Office (CBO), the bill will add approximately \$3.4 trillion to the national deficit by 2034. This estimate includes reductions in revenue, partial offsets from expense reductions, and additional interest costs resulting from increased borrowing. While forecasting budget deficits over a ten-year period is a challenging exercise, there appears to be general consensus that upside surprises to economic growth will be necessary to avoid continuing down the current fiscal path.

The OBBBA is an important piece of legislation that will impact many individuals and families in the coming years. It is early, but we will continue to analyze and evaluate the effect of these provisions on the markets, the economy, and specifically, your personal wealth management plan. We look forward to being in touch with you to share some ideas on how we can optimize your plan in light of these and other developments.

Note: As these ideas are related to tax planning, we would recommend a consultation with your CPA or tax preparer to more fully understand the impact of these provisions on your personal tax situation. As always, we are happy to help coordinate and participate in those meetings.

Source: <https://www.congress.gov/bills/119th-congress/house-bill/1/text>

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