

Tax Changes After Passing Of The One Big Beautiful Bill

WHITE PAPER

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Changes Made to the Internal Revenue Code by the Tax Cuts and Jobs Act

In 2017, Congress passed the Tax Cuts and Jobs Act (TCJA) which made substantial changes to the Internal Revenue Code (IRC). Changes included:

- Adjustments to the tax brackets, including lowering the highest tax rate from 39.6% to 37%.
- An increase in the standard deduction.
- The creation of the Qualified Business Income Deduction, a deduction of up to 20% of income from certain passthrough entities and REITs.
- Increase of Bonus Depreciation to 100% in 2018, decreasing annually to 20% in 2026.
- An increase of the estate tax exclusion amount from \$5.49 million in 2017 to \$11,180,000 in 2018.
- A cap of \$10,000 on the deduction of State and Local Taxes.
- Lowered the corporate income tax rate to 21% (this was permanent).

The TCJA became effective in 2018 and was scheduled to sunset on December 31, 2025. With the passage of the One Big Beautiful Bill Act (OBBBA), most of the provisions from the TCJA were made permanent and some new provisions were added that can provide new benefits and planning opportunities for individuals. In addition, credits for clean energy and energy efficiency incentives are now scheduled to end in the next two years, with some ending as soon as September of this year.



The One Big Beautiful Bill Act

On May 22, 2025, the House of Representatives passed its version of the One Big Beautiful Bill Act (OBBBA). After passing the House, the OBBBA moved to the Senate for consideration. On June 16, the Senate Finance Committee released its version of the OBBBA for consideration by the full Senate. The Senate made changes to the Senate Finance Committee's version of the OBBBA and voted to pass it on July 1.

As a budget reconciliation bill, the Senate was able to pass the bill with a simple majority, 51 to 50, with Vice President JD Vance breaking the tie. The

Senate version of the OBBBA then went back for a vote in the House of Representatives, where it passed, unchanged, with a vote of 218 to 214 on July 3. President Donald Trump signed the bill on July 4. See below for a non-exhaustive list of provisions included in the OBBBA.

While the chart includes only tax provisions of some interest addressing personal, business and estate tax provisions, the OBBBA also makes substantial changes to Medicaid eligibility and funding, funding and eligibility for the Affordable Care Act (ACA or Obamacare) and raises the debt limit by \$5 trillion, amongst other things.

	TCJA Sunset - 2026	Final OBBB
Estate, Gift and Generation-Skipping Transfer Tax	Approximately \$7,000,000 per person	\$15,000,000 per person increasing with inflation beginning in 2026.
Ordinary Income Tax Rates	10%, 15%, 25%, 28%, 33%, 35%, 39.6%	Makes 10%, 12%, 22%, 24%, 32%, 35%, 37% tax brackets permanent.
Standard Deduction	\$8,300 Single/\$16,600 MFJ	\$15,750 Single/\$31,500 MFJ beginning in 2025. The change is permanent and the amounts adjust with inflation annually.
Senior Deduction	N/A	\$6,000 additional deduction for those age 65+, phasing out as income exceeds \$75,000 for single filers or \$150,000 for married taxpayers filing jointly. Begins in 2025 and runs through 2028.
Child Tax Credit/Other Dependent Credit	\$1,000 tax credit for qualifying children, no credit for other dependents	Permanently increases Child Tax Credit to \$2,200 tax credit for qualifying children beginning in 2025, adjusting annually for inflation. \$500 credit for other dependents remains.
State and Local Income Tax Deduction Limitation	No Limit	Increases limit on SALT deductions to \$40,000 beginning in 2025. The limit is reduced by 30% of the amount a taxpayer's MAGI exceeds \$500,000 for single and married filing jointly filers. Once a taxpayer reaches a MAGI of \$600,000, the limit is reduced by \$30,000 to \$10,000, the lowest the limit can be. The SALT limit and the MAGI threshold both increase by 1% per year from 2026 to 2029 and the SALT limit reverts to a limit of \$10,000 in 2030.
No Tax on Tips	N/A	Up to \$25,000 deduction for qualified tips per person, phasing out when income exceeds \$150,000 for single filers/\$300,000 for joint filers. The deduction is available beginning in 2025 and runs through 2028.
No Tax on Overtime	N/A	Up to \$12,500 deduction for overtime per person (married couples can deduct up to \$25,000 total), phasing out when income exceeds \$150,000 for single filers/\$300,000 for joint filers. The deduction applies only to the pay in excess of the person's regular pay. The deduction is available beginning in 2025 and runs through 2028.
Deduction for Auto Loan Interest	N/A	A deduction of up to \$10,000 of interest on passenger vehicles where final assembly occurs in the US. Phases out as income exceeds \$100,000 for single filers/\$200,000 for joint filers. The deduction is available beginning in 2025 and runs through 2028.
Partial Deduction for Cash Charitable Contributions of Non-Itemizers	N/A	Permanently creates a charitable deduction for taxpayers who do not itemize. The deduction is up to \$1,000 for a single filer/\$2,000 for MFJ, beginning in 2026.
Tax Credit for Contributions to Scholarship Granting Organizations	N/A	Credit for donations to Scholarship Granting Organizations making scholarship grants supporting children in kindergarten through grade 12. Credit is up to \$1,700 beginning in 2027.
Expansion of Qualified 529 Expenses	N/A	Tuition, books, and related materials for elementary and secondary schools (public, private, and religious) are qualified education expenses for 529 distributions. Increased limit for qualified tuition expense for K-12 from \$10,000 to \$20,000. This is effective beginning in 2026.

* The information regarding the final OBBBA legislation was taken from the text of the final bill as well as the Congressional Research Service summary of the bill.

** This is Annex Wealth Management's current interpretation of the included provisions of the OBBB. This interpretation is subject to change as guidance from the IRS becomes available.

Increase in HSA Contribution Limits	Maximum contribution is \$4,400 for an individual and \$8,750 for a family in 2026.	Maximum contribution is \$4,400 for an individual and \$8,750 for a family in 2026.
Qualified Business Income Deduction	N/A	Makes the Qualified Business Income Deduction permanent at up to 20%. Also increases the phase-in range of the Specified Service Trade or Business and the Wage/Property limitations by 50% from \$50,000 to \$75,000 for single filers, and from \$100,000 to \$150,000 for married filing jointly.
Bonus Depreciation	20% in 2026, 0% in 2027 and thereafter	Permanently increases bonus depreciation to 100% beginning for purchases of eligible property after January 19, 2025.
Deduction of Research & Experimental Expenditures	Research and experimental expenditures from US operations must be amortized over five years. Research and experimental expenditures from foreign business operations must be Amortized over 15 years.	Beginning in 2025, businesses may deduct US research and experimental expenses in the year incurred. Foreign expenses must continue to be amortized over 15 years. Business with gross receipts of less than \$31 million may elect to deduct remaining unamortized amounts from tax years 2022 - 2024 entirely in 2025 or deduct such amounts ratably over two years, 2025 and 2026.
Accelerated Termination of Certain Clean Energy Credits	<p>The following tax credits are scheduled to expire in 2031/2032:</p> <ul style="list-style-type: none"> • Previously-Owned Clean Vehicle Credit • Clean Vehicle Credit • Qualified Commercial Clean Vehicle Credit • Alternative Fuel Vehicle Refueling Property Credit • Energy Efficient Home Improvement Credit • Residential Clean Energy Credit • New Energy Efficient Home Credit • Clean Electricity Production Credit 	All credits will terminate by the end of 2028. Some will terminate in 2025, including the Previously-owned Clean Vehicle Credit, and the Clean Vehicle Credit, which will terminate effective September 30, 2025. The Energy-efficient Home Improvement Credit and Residential Clean Energy Credit will terminate after December 31, 2025.
Qualified Opportunity Zone Program	Deferrals terminate in 2026 and phases out completely in 2029.	Permanent renewal and enhancement of opportunity zones. Current round of deferrals terminates in 2026, creating an income tax event for deferred income. New annual rounds of investments will begin in 2027.
Qualified Small Business Stock Exclusion	Sellers of stock qualifying as Qualified Small Business Stock may exclude up to 100% of the gains from the sale from income if certain requirements are met.	Beginning for stock issued after July 4, 2025, sellers of stock qualifying as Qualified Small Business Stock may exclude up to 50% of stock gains if held for three years, 75% of stock gains if held for four years, and 100% of the gain if held 5 years or more. The exclusion amount is increased from \$10 million to \$15 million person and the business's gross asset threshold is increased from \$50 million to \$75 million. This amount will increase with inflation beginning in 2027.

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