

Key changes from the One Big Beautiful Bill Act (OBBBA)



Use this resource to understand how key tax changes from the One Big Beautiful Bill Act will impact your clients, including changes that apply to almost all investors as well as changes that apply to specific client types such as high net worth and business owners.

What's new	What should clients know	Conversations to consider with client and tax professional
Income tax rates and brackets		
Income tax rates and brackets from Tax Cuts and Jobs Act of 2017 (TCJA) are extended, indexed for inflation.	Standard deduction increases to \$15,750 (single), \$31,500 (married filing jointly or MFJ) in 2025. Top tax bracket (37%) begins at \$626,350 (single) and \$751,600 (MFJ) in 2025, at \$640,600 (single) and \$768,700 (MFJ) in 2026.	Ongoing tax bracket management and income smoothing; consider Roth conversions, charitable giving and general timing of income and deductions.
Alternative Minimum Tax (AMT)		
The AMT rules from the TCJA (which resulted in far fewer taxpayers being subject to AMT) are extended.	Even though the AMT rules from the TCJA were extended, a revision to 2018 exemptions and phaseouts will result in greater AMT exposure for some.	Discuss potential AMT exposure for next year and beyond. For clients with unexercised incentive stock options (ISOs), consider exercising in 2025 to limit AMT exposure.
State and Local Tax (SALT) deduction		
Temporary increase of the SALT deduction cap.	Deduction cap increases from \$10,000 to \$40,000 in 2025. This change sunsets after 2029 and the cap reverts to \$10,000 in 2030.	Consider ways to keep income at or below \$500k. For high net worth (HNW) clients, spread out income among non-grantor irrevocable trusts.
SALT deduction phaseout for high earners.	Phaseout begins at \$500,000 (both single and MFJ) and completely phases out at \$600,000 of income (reverts to \$10,000).	Consider pass-through entity tax (PTET) structure for clients with pass-through entities.
Charitable giving		
New charitable deduction for non-itemizers	Up to \$1,000 (single)/\$2,000 (MFJ) deduction for cash gifts to public charities starting in 2026.	Consider accelerating giving in 2025 before the 0.5% floor and cap take effect in 2026 (e.g., by bunching contributions to a Donor Advised Fund in 2025).
New deduction limitations for itemizers	New floor of 0.5% of AGI, in addition to a 35% deduction cap for those in the 37% income tax bracket.	Discuss ongoing management of charitable giving plan in light of new charitable giving limitations. Consider making qualified charitable distributions (QCDs) from retirement accounts, if eligible, to navigate around the new limitations.
529 education savings accounts		
Limits for using 529 funds for K-12 education have increased.	Effective in 2026, the annual limit for using 529 funds for K-12 educational expenses will double, from \$10,000 to \$20,000.	These deductions may not be relevant to your client, but could be relevant to your client's parents, children, grandchildren, employees, etc.
Expanded uses of 529 funds.	The use of 529 funds has been expanded to include additional expenses such as fees for college admission exams and advanced placement tests, educational therapies, curriculum materials, tutoring expenses and expenses for post-secondary credentialing.	Consider additional 529 contributions.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

What's new

What should clients know

Conversations to consider with client and tax professional

Section 199A/Qualified Business Income (QBI) deduction

Section 199A deduction for QBI for passthrough entities is extended.

This deduction phases out for higher incomes.

For business owners, review entity structure and compensation plan to optimize QBI.

Section 1202/Qualified Small Business Stock (QSBS)

Expanded limits and eligibility under section 1202 for QSBS.

For eligible stock acquired after July 4, 2025:

- Increased corporation asset limit: \$50 million to \$75 million
- Increased gain exclusion: \$10 million to \$15 million
- Holding period reduced from 5 years to 3, 4 or 5 years

Discuss if a new business or investment can qualify for QSBS treatment.

For clients considering selling a business, discuss eligibility for QSBS treatment.

For HNW clients, consider using irrevocable gift trusts to multiply QSBS exemptions.

Gift and estate tax exemption

Historically high gift and estate tax exemptions is extended and increased.

Exemption increased to \$15M (~\$1M increase from 2025 exemption) per person in 2026, indexed for inflation.

Review estate planning documents in light of increased exemption. For clients that have used full exemption amount, consider topping up gifts to use full amount in 2026. For low basis assets, consider benefits of keeping assets in the client's estate (to achieve step-up in basis upon client's passing) in light of increased exemption amount.

Deductions for non-itemizers

New deductions for those who do not itemize take effect in 2025, expire on December 31, 2028.

Deductions include:

- Deductions for seniors 65+ \$6,000 per filer
- Deductions for overtime income: \$12,500 (single)/\$25,000 (MFJ)
- Deductions for tip income: Up to \$25,000 (single or MFJ)
- Deductions for auto loan interest: \$10,000 per year for new loans

These deductions phase out for higher incomes.

These deductions may not be relevant to your client, but could be relevant to your client's parents, children, grandchildren, employees, etc.

Discuss how to help these individuals optimize the benefits of these deductions.

Energy credit expirations

Credits for electric vehicles, home solar and other clean energy investments sunset earlier than previously scheduled.

Credits were sunset on September 30, 2025 for electric vehicles and will sunset December 31, 2025 for home solar and other clean energy investments.

Consider completing purchases or upgrades before new expiration dates to claim credits.

Trump accounts

New program temporarily establishes tax-advantaged savings accounts for minor children.

Accounts can be established for any minor child, but not until July 4, 2026. Contributions are limited to \$5,000 per year and are made after tax. The money will grow on a tax deferred basis. Withdrawals are not permitted until the child turns 18, and distributions thereafter are treated like distributions from a traditional retirement account. Federal government will make a one-time tax-free deposit of \$1,000 into accounts for children born between Jan. 1, 2026 and Dec. 25, 2028.

Additional guidance is expected in 2026 on the logistics and funding of these accounts.

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