



# WHAT THE ONE BIG BEAUTIFUL BILL ACT WILL MEAN FOR YOU

On July 4, 2025, President Trump signed into law the *One Big Beautiful Bill Act* (OBBBA), a sweeping, nearly 900-page piece of legislation passed by Congress. While the bill covers a wide range of topics, its most significant impact is the permanent extension of many tax provisions from the 2017 Tax Cuts and Jobs Act. Because of the bill's size and complexity, we've highlighted the most impactful and important elements below.

- **Income Tax Brackets**

Current income tax brackets and marginal rates are now permanent. The top marginal rate remains at 37%, and 2025 income figures will be indexed to inflation going forward. Alternative Minimum Tax (AMT) exemption levels have also been permanently extended, although at lower phaseout ranges. These tax rates would have otherwise sunset to previous, higher rates starting in 2026.

- **Estate, Gift, and Generation-Skipping Trust Tax Exemptions**

Starting in 2026, these limits increase to \$15 million for individuals and \$30 million for married couples. These limits will increase each year with inflation. The current figures (\$13.99 million and \$27.98 million in 2025) were set to end at the end of 2025 and revert to much lower levels. Because there is no sunset, this provides increased certainty for estate and gift planning.

- **Standard Deduction**

In 2025, the standard deduction is permanently increased to \$15,750 for single filers, \$31,500 for joint filers, and \$23,625 for heads of households, with future increases tied to inflation. These were scheduled to revert to previous, lower amounts starting in 2026.

- **State and Local Tax (SALT) Deduction Cap**

From 2025 to 2029, the SALT deduction cap increases to \$40,000, with 1% annual increases. Starting in 2030, this limit reverts back to \$10,000. A phaseout begins at \$500,000 in income.



- **New Temporary Deductions (2025-2028)**

There is a new \$6,000 deduction for filers age 65 or older, with phaseouts beginning at \$75,000 MAGI for single filers, and \$150,000 for joint filers. Please note that the Social Security Administration sent an email stating that, "the bill ensures that nearly 90% of Social Security beneficiaries will no longer pay federal income taxes on their benefits." This is referring to this new deduction, NOT a direct adjustment to Social Security benefits or taxation of benefits. There are also deductions for certain tip and overtime income.

- **Child Tax Credit**

The OBBBA increased the child tax credit amount to \$2,200 per child in 2025, and indexed this figure to inflation for future years.

- **Trump Accounts**

New tax-advantaged savings accounts will be created for children born starting in 2025. Up to \$5,000 can be contributed per year. For children born in 2025-2028, \$1,000 will be contributed by the government. Contributions can be invested, and withdrawals can begin at age 18. Withdrawals are subject to IRA withdrawal rules, including penalty exceptions for qualified higher education expenses, qualified first-time home buyer expenses, or emergency personal expenses. Growth inside the account isn't taxed, and withdrawals are penalty-free if used for qualified education expenses or home purchase.

- **529 Plan Expansion**

The OBBBA made permanent the ability to make qualified withdrawals for elementary and secondary school expenses, increasing the limit from \$10,000 to \$20,000 per year. Qualified expenses have been expanded beyond tuition to books, testing fees, tutoring, and online educational materials.

- **Charitable Giving Changes**

The ability to deduct up to 60% of AGI to charity is now permanent, which was previously set to revert to 50%. Starting in 2026, if itemizing deductions, there is a 0.5% AGI 'floor' before charitable deductions start, similar to the existing 7.5% medical expenses floor. Even if you don't itemize deductions, starting in 2026 there is a \$1,000 per person charitable deduction even if you take the standard deduction.



- **Clean Energy Credits**

Clean energy car credits are eliminated for purchases after September 30, 2025, and energy-efficient home improvement and new home credits end after December 31, 2025.

- **ACA Premium Tax Credits**

The OBBBA does not extend the expanded eligibility allowed by previously passed legislation. Starting in 2026, individuals earning over 400% of the Federal Poverty Level (FPL) will no longer qualify for subsidies. The eligibility for premium tax credits will revert back to the pre-2021 levels.

- **Qualified Business Income (QBI) Deduction**

The 20% deduction for pass-through business owners is now permanent.

Your Donaldson advisor is incorporating these changes into investment decisions and your financial plan. We'll continue to provide updates in the future, but please don't hesitate to reach out to your advisor with any questions about how this new law affects your finances.

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