

One Big Beautiful Bill Act (OBBBA): *Before & After*

With the passage of the One Big Beautiful Bill Act (OBBBA), several core features of the 2017 tax overhaul have now been made permanent. The lower income tax brackets introduced under the 2017 Tax Cuts and Jobs Act (TCJA) are here to stay, along with the expanded standard deduction and higher exemption for estate and gift taxes. For families, advisors and business owners, this creates room to plan further ahead.

Topic	2017 Tax Cuts and Jobs Act (TCJA) - 2025	OBBBA
\$1 Income Tax Rates	Reduced tax rates across seven brackets, making the system generally more favorable for most taxpayers. • 10% • 32% • 12% • 35% • 22% • 37% • 24%	Makes the TCJA's individual tax rates permanent and maintains the top rate of 37%. It also adds an extra year of inflation adjustment to ensure more income remains in the lower brackets over time.
\$63 Standard Deduction	Doubled the standard deduction. The amount is currently \$15,000 for single filers, \$30,000 for those married filing jointly and \$22,500 for head of household. (2025 amounts)	Permanently extends the doubled standard deduction, with 2025 amounts set at \$15,750 for single filers, \$22,625 for heads of household and \$31,500 for married couples filing jointly. These amounts will be adjusted for inflation starting in 2026 and the change is retroactive to apply to tax year 2025.
\$275 State and Local Income Tax (SALT) Deduction— <i>Real Estate, Personal Property and State Income Tax</i>	Capped at \$10,000 for both single and married joint filers, and \$5,000 for those filing separately. The cap is scheduled to expire after Dec. 31, 2025, after which state and local taxes may again be fully deductible.	<p>Starting this year, the SALT cap deduction temporarily increases to \$40,000 (\$20,000 for married taxpayers filing separately), with annual inflation adjustments through 2029. The cap rises to \$40,400 in 2026 and continues increasing by 1% each year before dropping back to \$10,000 in 2030.</p> <p>For high earners, the expanded cap phases down. Taxpayers with modified adjusted gross income (MAGI) over \$500,000—or \$250,000 for married filing separately—will see their cap reduced by 30% of the amount their MAGI exceeds the threshold, until it returns to \$10,000 (\$5,000 if filing separately). The income threshold will also be adjusted for inflation through 2029.</p> <p>Notably, the bill does not change or limit existing workarounds like pass-through entity taxes (PTETs), which some taxpayers use to bypass the SALT cap.</p>

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\$163 Mortgage Interest Deduction	Enabled taxpayers to deduct mortgage interest on up to \$750,000 of acquisition debt used to buy, build or substantially improve a primary or secondary home. (\$375,000 if married filing separately). No deduction for interest on home equity loans.	The TCJA's limit on Section 163 mortgage interest deduction—capping it at \$750,000 of acquisition debt—is now permanent. The exclusion of interest on home equity loans from qualified residence interest also remains in place. Additionally, certain mortgage premiums on acquisition debt are treated as qualified residence interest.
\$67(g) Miscellaneous Itemized Deductions	From 2018 through 2025, deductions for certain expenses, such as investment fees, unreimbursed employee business expenses, and tax preparation fees, are not allowed.	The TCJA's suspension of miscellaneous itemized deductions under Sec. 67(g) is now permanent, but unreimbursed employee expenses for eligible educators have been removed from this suspension and are deductible again. This provision is applicable to taxable years beginning after December 31, 2025.
\$151 Personal and Dependent Exemptions	Not allowed. The TCJA temporarily repealed the deduction for personal exemptions until 2026.	Permanently sets the deduction for personal exemptions at zero.
Enhanced Deduction for Seniors	N/A	Seniors aged 65 or older can deduct \$6,000 per eligible filer if their modified adjusted gross income (MAGI) is \$75,000 or less (\$150,000 for married filing jointly). To qualify, each taxpayer must include their Social Security number on the return and, if married, file jointly. This deduction applies for tax years 2025 through 2028.
Child Care Credit	The child tax credit is \$2,000 per child and would revert to \$1,000 after 2025.	Starting in 2025, the nonrefundable child tax credit permanently increases to \$2,200 per child and will be indexed for inflation. The \$1,400 refundable child tax credit and the higher income phaseout thresholds (\$200,000 for singles, \$400,000 for joint filers) are also made permanent. Additionally, the \$500 nonrefundable credit for dependents who are not qualifying children is permanently maintained.
\$68 “Pease” Limitation	Not applicable for tax years 2018 through 2025.	Eliminates the Section 68 “Pease” limitation on itemized deductions and replaces it with a new cap on the tax benefit of itemized deductions. Under the new rule, allowable itemized deductions are reduced by 2/37 of the lesser of: 1) total itemized deductions or 2) the amount of taxable income exceeding the threshold for the 37% tax bracket.
\$165(D) Wagering Losses	Wagering losses are deductible, but only up to the amount of wagering income.	Starting in tax years after Dec. 31, 2025, the deduction for wagering losses is limited to 90% of such losses, and only to the extent of wagering winnings.

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\$55 Alternative Minimum Tax (AMT)	For 2025, the alternative minimum tax (AMT) exemption increases to \$88,100 for single filers, \$137,000 for married couples filing jointly and \$68,500 for married filing separately. The exemption begins to phase out at \$626,350 for single and separate filers and \$1,252,700 for joint filers.	Permanently extends the TCJA's increased AMT exemption amounts—currently \$88,100 for individuals and \$137,000 for joint filers—and reverts the exemption phaseout thresholds to their 2018 levels: \$500,000 for single filers and \$1 million for joint filers, indexed for inflation after 2025. It also increases the phaseout rate from 25% to 50% of the amount by which a taxpayer's AMT exceeds the threshold.
\$170 Income Tax Charitable Deduction	Charitable contributions remain deductible as itemized deductions, subject to specific percentage limits based on the type of contribution and the type of charitable organization receiving the donation.	Beginning in tax years after Dec. 31, 2025, non-itemizers may claim a permanent charitable deduction of up to \$1,000 (\$2,000 for joint filers) annually for qualifying contributions. For itemizers, the legislation introduces an additional limitation: the allowable charitable deduction.
\$165 Casualty Losses	TCJA limited the deduction for personal casualty and theft losses to only those losses incurred in federally declared disaster areas.	The limitation on itemized deductions for personal casualty losses—restricting them to losses from federally declared disasters—is made permanent. It also extends the deduction to include losses from certain state-declared disasters. This provision would be applicable to taxable years after Dec. 31, 2025.
\$529A <i>Achieving a Better Life Experience</i> (ABLE) Accounts	TCJA (1) increased contribution limits, (2) made contributions eligible for the Saver's Credit and (3) allowed for 529 plan to ABLE plan rollover.	Makes permanent the TCJA's increased contribution limits for Sec. 529A ABLE accounts and the inclusion of ABLE contributions as eligible for the Sec. 25B saver's credit. Beginning after 2026, only ABLE account contributions will qualify for the saver's credit. Made permanent the 529 plan to ABLE plan rollover. Additionally, the maximum saver's credit amount increases from \$2,000 to \$2,100.
\$108(F)(8) Student Loan Discharge	TCJA excluded gross income for student loans discharged due to death or disability.	Makes permanent the Sec. 108(f)(5) exclusion from gross income for student loans discharged due to death or disability, which was previously set to expire at the end of 2025. It also requires the taxpayer's Social Security number to be included on the tax return in the year the loan is discharged. This provision applies to discharges occurring after Dec. 31, 2025.
Adoption Credit	Retained the Sec. 23 adoption credit as a nonrefundable credit. Allows up to \$17,280 in qualified expenses (2025), with the amount adjusted annually for inflation. It also phases out at higher incomes.	Makes a portion (up to \$5,000) of the Sec. 23 adoption credit refundable. That amount will be adjusted for inflation.
\$129 Dependent Care	Made no changes to Sec. 129 dependent care exclusion or the Sec. 21 child and dependent care credit. The \$5,000 exclusion and \$3,000/\$6,000 expense limits remained unchanged.	Effective for tax years beginning after Dec. 31, 2025, the maximum annual amount excludable from income under a Sec. 129 dependent care assistance program increases from \$5,000 to \$7,000.

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\$168 Bonus Depreciation	Currently only allow businesses to deduct 40% of the purchase price of qualifying assets in the year of acquisition.	Permanently extends the Section 168 bonus depreciation deduction and increases the allowance to 100% for qualifying property acquired and placed in service on or after Jan. 19, 2025.
\$179 Enhanced Small Business Expensing	Under current law, taxpayers may elect to expense the cost of qualifying property instead of recovering it through depreciation, subject to limits. For 2025, the maximum expense amount is \$1.25 million, reduced dollar-for-dollar by the amount that total qualifying property placed in service exceeds \$3.13 million. These thresholds are adjusted annually for inflation.	Effective for property placed in service after 2024, the legislation increases the maximum amount a taxpayer may expense under Section 179 to \$2.5 million, with the phaseout threshold raised to \$4 million. Both amounts will be indexed for inflation for taxable years beginning after 2025.
Business Interest Deduction	Under current law, taxpayers can generally deduct business interest expense only up to the sum of business interest income, 30% of the adjusted taxable income (ATI), and floor plan financing interest. A higher ATI calculation allows for a greater deductible amount of business interest.	Increases the amount of business interest expense that taxpayers can deduct by excluding depreciation, amortization and depletion deductions from the calculation of adjusted taxable income (ATI).
\$461(L) Limitation on Excess Business Losses of Noncorporate Taxpayers	Currently, for tax years beginning before Jan. 1, 2029, taxpayers cannot deduct an excess business loss. An excess business loss is the amount by which business deductions (excluding net operating losses and qualified business income deductions) exceed business income by more than \$313,000 in 2025 (\$626,000 for joint filers), with these thresholds adjusted for inflation. Disallowed losses are treated as net operating losses and may be carried forward to offset income in future years.	For noncorporate taxpayers, current-year net business losses exceeding a specified threshold--\$626,000 for joint filers and \$313,000 for others in 2025—are not deductible. These thresholds are adjusted annually for inflation. While the limitation is currently set to expire after Dec. 31, 2028, the bill makes it permanent, with a minor modification to how the inflation adjustment is calculated for the loss thresholds. Excess business losses will continue to be treated as net operating losses (NOLs) in subsequent years and will not be subject to retesting when carried forward.
\$199A Limitation on Excess Business Losses of Noncorporate Taxpayers	A 20% deduction is allowed for qualified business income (QBI) from pass-through entities, subject to limitations. The deduction is capped at 20% of taxable income minus net capital gains. For taxpayers with income above certain thresholds, the deduction is further limited based on W-2 wages paid and the capital investment in each business, as well as whether the business is a specified service trade or business (SSTB). These limitations phase in over a fixed range of taxable income - \$100,000 range for joint filers and \$50,000 for other taxpayers.	Permanently extends the 20% qualified business income (QBI) deduction under Section 199A without changing the deduction percentage. It expands the phase-in range for “specified service trades or businesses” (SSTBs) and other entities subject to the wage and investment limitations by increasing the \$100,000 limitation to \$150,000 for joint filers and from \$50,000 to \$75,000 for other taxpayers. Additionally, introduces a new, inflation-adjusted minimum deduction of \$400 for taxpayers with at least \$1,000 of QBI from one or more active businesses in which they materially participate. This provision applies to tax years beginning after Dec. 31, 2025.

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<p>\$1400Z Opportunity Zones (OZ)</p>	<p>The Opportunity Zone (OZ) program offers three key tax benefits for investors who reinvest capital gains into a Qualified Opportunity Fund (QOF).</p> <ol style="list-style-type: none"> 1. First, it provides a temporary deferral of taxes on rolled-over non-QOZ gains into a QOF until 2026 or until the QOF investment is sold, whichever comes first. 2. Second, it allows a step-up in basis on the deferred gains that are invested in a QOF — 10% for investments held at least five years and an additionally 5% (totaling 15%) for those held seven years. 3. Third, gains from the appreciation of the QOF investment itself are permanently excluded from taxable income if the investment is held for at least 10 years. <p>These benefits for the initial OZ round are scheduled to expire after Dec. 31, 2026, with the designated OZs expiring after Dec. 31, 2028.</p>	<p>Makes the OZ program permanent, with rolling ten-year QOZ designations and revised eligibility criteria and new reporting requirements.</p> <p>New rolling 10-year designations:</p> <ul style="list-style-type: none"> • Beginning July 1, 2026 (the initial “decennial designation date”), governors will designate new QOZs. • Each designation lasts 10 years (e.g., Jan 1, 2027-Dec. 31, 2036) • New zones will be designated every 10 years (e.g., next cycle 2037-2046). <p>Updated eligibility rules:</p> <ul style="list-style-type: none"> • Narrows the definition of a low-income community for QOZ designation. • Eliminates the special designation benefits for Puerto Rico. <p>Tax Incentives under the new QOZ structure:</p> <ul style="list-style-type: none"> • Gains invested before Jan 1., 2027 are still recognized on Dec. 31, 2026—that date has not changed. • Gains invested on or after Jan 1., 2027 are deferred until the earlier of 1) the date of disposition, or 2) five years after the investment date. • A 10% basis increase applies to investments held at least five years, taxing only 90% of the deferred gain. • For investments in qualified rural opportunity funds, 30% of the deferred gain is added to basis. • Investments held for 10-30 years continue to receive full tax exclusion on post-investment appreciation. <p>New reporting and compliance requirements:</p> <ul style="list-style-type: none"> • Enhanced tax return and information reporting for both new and existing QOFs and OZ businesses. • Increased penalties for noncompliance. • Some implementation details remain unclear, particularly regarding how existing OZ businesses will be treated once their zone’s designation expires.

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\$1202 Qualified Small Business Stock (QSBS) Exclusion	<p>Section 1202 allows a partial exclusion of gain on the sale of qualified small business stock (QSBS) held for more than five years. For stock acquired after September 27, 2010, 100% of the gain is excluded from income. For stock acquired before that date, either 50% or 75% of the gain may be excluded depending on the acquisition date.</p>	<p>The legislation makes three key expansions to Section 1202, which governs the exclusion of gain on the sale of qualified small business stock (QSBS).</p> <ol style="list-style-type: none"> 1. First, it introduces a tiered exclusion for QSBS acquired after the date of enactment. 50% of the gain is excluded if the stock is held at least three years, 75% if held for four and 100% if held for five or more years. 2. Second, it raises the eligibility threshold for corporations by increasing the aggregate gross assets limit at the time of stock issuance from \$50 million to \$75 million, with inflation indexing. 3. Third, it increases the maximum gain exclusion from \$10 million to \$15 million for the stock acquired after the effective date, also indexed for inflation. <p>The 10x basis rule remains unchanged, so the exclusion applies to the greater of \$15 million or 10 times the taxpayer's basis in stock.</p>
\$2010 Estate, Gift and Generation-skipping Transfer Tax	<p>Under current law, as set by the TCJA, the exemption amount for 2025 is \$13,990,000, indexed for inflation.</p>	<p>Permanently extends the estate, gift and generation-skipping transfer tax exemption, increasing the exemption amount to \$15 million in 2026, and indexing it for inflation thereafter. Making the exemption permanent provides greater certainty for long-term wealth transfer planning. Individuals may need to reassess existing estate plans and consider new structures to take full advantage of the higher exemption.</p>
\$529 Savings Plan	<p>Distributions from 529 plans are not taxable for federal income tax purposes if used for "qualified higher education expenses." These include college tuition, fees, room and board, books, supplies and equipment required for enrollment, as well as \$10,000 of tuition for public, private or religious elementary and secondary schools.</p>	<p>Expands the definition of qualified higher education expenses for 529 plans to include a broader range of K-12 expenses, such as curriculum and curricular materials, instructional books or other instructional materials, online educational materials, certain tutoring expenses, educational therapies and fees for standardized tests, college entrance exams and AP tests. It also adds "qualified postsecondary credentialing expenses," covering tuition, fees, books, supplies and equipment required for enrollment in recognized credentialing programs, as well as fees required for testing and continuing education to obtain or maintain a credential.</p>

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Trump Savings Accounts	N/A	<p>Establishes a new tax-free savings vehicle for minors called Trump accounts, structured as a form of individual retirement account (IRA) under Section 408(a), though not classified as Roth IRAs. These accounts are exclusively for individuals under age 18, and contributions may only be made during calendar years before the beneficiary turns 18. Distributions used for qualified expenses—such as higher education costs or a first-time home purchase—receive preferential capital gains tax treatment, while nonqualified distributions are subject to a 10% penalty. Distributions can only be made beginning in the calendar year the beneficiary turns 18.</p> <p>Trump accounts must be designated as such at setup and contributions may not begin until 12 months after the bill's enactment. The Treasury is authorized to open accounts for eligible individuals who do not already have one. Contributions are capped at \$5,000 annually (adjusted for inflation after 2027), and eligible investments are limited to mutual funds and ETFs. In addition to individual contributions, state, local and tribal governments and charitable organizations may make “general funding contributions” directed to qualified groups of beneficiaries—such as those in specific age ranges, geographic regions, or birth years.</p> <p>The legislation also creates a pilot program under new section 6434, offering a \$1,000 tax credit for opening a Trump account for a child born between Jan. 1, 2025, and Dec. 31, 2028. A total of \$410 million is appropriated to support the program through Sept. 30, 2034. Finally, a new Section 128 allows employer contributions to Trump accounts, which are excluded from an employee's income.</p>
No Tax on Tips	N/A	<p>Creates an above-the-line deduction of up to \$25,000 for qualified tips earned by individuals in occupations that traditionally receive tips. To qualify, tips must be voluntarily paid, non-negotiable and determined by the payor. This deduction applies to both employees receiving W-2s and independent contractors reporting tips on forms such as 1099-K, 1099-NEC or form 4317. Tips earned in specified service trades or businesses, like consulting or law, are excluded. Taxpayers must include their Social Security number on their tax return (and file jointly if married) to claim the deduction. The deduction phases out for taxpayers with modified adjusted gross income (MAGI) above \$150,000 (\$300,000 for joint filers) and is available for tax years 2025-2028.</p>

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No Tax on Overtime	N/A	Creates an above-the-line deduction of up to \$12,500 for single filers and \$25,000 for married couples filing jointly for overtime pay received during the taxable year. The deduction begins to phase out when MAGI exceed \$150,000 for singles or \$300,000 for joint filers. It applies only to overtime compensation reported on a W-2 or 1099 and is available to both itemizers and non-itemizers. To claim the deduction, taxpayers must include their Social Security number on their tax return and file jointly if married. This deduction is available for tax years 2025-2028.
No Tax on Car Loan Interest	N/A	Excludes qualified passenger vehicle loan interest from the definition of personal interest under Sec. 163(h) and allows an above-the-line deduction of up to \$10,000 per tax year for such interest. This deduction applies only to interest on loans incurred after Dec. 31, 2024, for the purchase of a passenger vehicle secured by a first lien and used personally. The vehicle must be assembled in the United States. The deduction begins to phase out when MAGI exceeds \$100,000 for singles and \$200,000 for married filing jointly. It is available for tax years 2025-2028.
\$4968 Excise Tax on Investment Income of Private Colleges and Universities	Colleges and universities with investment assets of \$500,000 or more are currently subject to a 1.4% excise tax on their investment income each year.	<p>Following the passage of the OBBBA, the excise tax on investment income for colleges and universities will be structured based on the size of their student-aided endowment. The tax rates are as follows:</p> <ul style="list-style-type: none">• 1.4% for endowments between \$500,000 and \$750,000• 4% for endowments between \$750,000 and \$2 million.• 8% for endowments exceeding \$2 million. <p>Public institutions and schools with 3,000 or fewer tuition-paying students are exempt from this tax. These provisions apply to taxable years beginning after Dec. 31, 2025.</p>
\$4940 Excise Tax on Investment Income of Private Foundations	Currently 1.39%	No provision.



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