

Big Beautiful Bill: Impact on Taxes and Deductions

“The “One Big Beautiful Bill Act” (HR 1), signed into law by President Trump on July 4, is expected to impact taxes and deductions. Here’s how it could affect **your money, your charitable deductions and your future:**

Extended Tax Cuts

The bill extends or makes permanent certain provisions of the 2017 Tax Cuts and Jobs Act (TCJA), giving investors and small business owners more certainty and potential tax savings.

- » **Tax brackets:** Applicable tax rates were reduced for most brackets for the years 2018 through 2025. The BBB makes the TCJA rates and structure permanent. Individual marginal income tax brackets will remain at 10%, 12%, 22%, 24%, 32%, 35% and 37%.
- » **Standard deductions:** The BBB makes permanent the larger standard deduction amounts established by TCJA, with an additional increase. For 2025, standard deduction amounts are \$31,500 for married filing jointly; \$23,625 for head of household and \$15,750 for single and married filing separately.
- » **Estate and gift tax exemption:** The larger estate and gift tax exemption amount implemented by the TCJA is made permanent, increased to \$15 million in 2026 (\$30 million for married couples), with adjustments for inflation in future years.
- » **State and local tax (SALT) deduction:** The new legislation temporarily increases the cap on the state and local tax deduction from \$10,000 to \$40,000. The cap will increase annually by 1% for the 2025 tax year through 2029 and will revert to \$10,000 in 2030. The increased deduction phases out for taxpayers with incomes over \$500,000.

Other Noteworthy Provisions

- » **Charitable contributions:** The following provisions start in the 2026 tax year so filers have ample time to plan and maximize tax breaks on charitable contributions.
 - **Deduction for non-itemizers:** The BBB reinstates a deduction allowing non-itemizers to deduct cash

donations to charity capped at \$1,000 for single filers and \$2,000 for married couples filing jointly. Contributions must be made in cash to a public charity and meet other specified requirements.

- **New limits to charitable deductions for itemizers in the top tax bracket:** The BBB caps the tax benefits of itemized charitable deductions at 35%, even for those in the 37% marginal tax bracket. For example, a high-income filer donating \$1,000 would receive a \$350 deduction rather than \$370.
- **0.5% disallowance:** This provision imposes a floor of 0.5% of adjusted gross income (AGI) on itemized charitable deductions for filers. Only charitable contributions exceeding this threshold are deductible. For example, filers with AGI of \$100,000 cannot deduct the first \$500 of their charitable contributions.
- » **No taxes on qualifying tips and overtime:** The bill eliminates taxes on qualifying tips and overtime pay through 2028.
 - Tip-based workers can deduct a portion of their cash tips for federal income tax purposes. Individuals who receive qualified cash tips in occupations that customarily received tips prior to January 1, 2025, may exclude up to \$25,000 in reported tip income from their federal taxable income.
 - A new temporary deduction of up to \$12,500 (\$25,000 if married filing jointly) is established for qualified overtime compensation.
- » **Deduction for seniors:** The legislation introduces a new \$6,000 tax deduction for seniors aged 65 and over effective from 2025 through 2028. This is available to both itemizing and non-itemizing taxpayers and can offset federal taxes on Social Security benefits for many seniors. It begins to phase out over \$150,000 for married taxpayers filing jointly and \$75,000 for individual filers.

In addition to what’s covered here, the BBB legislation encompasses wide-sweeping changes that will impact taxpayers in the future. Please contact me if you have questions about how the changes affect your specific situation and strategies for maximizing your financial plan.

None of the information in this document should be considered as tax advice. You should consult your tax professional for information concerning your individual situation.

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