



One Big Beautiful Bill Act: Summary of Key Changes

After months of intraparty negotiations, Congress passed the One Big Beautiful Bill Act (OBBBA), which President Trump signed into law on July 4, 2025.

The bill made few changes that directly impact the insurance industry. The most profound change is a new gift, estate, and generation-skipping transfer (GST) exemption amount of \$15 million, effective January 1, 2026. This amount is indexed for inflation in future years. It is also “permanent,” in that it is not subject to any sunset provision.

Many of the other changes in the law relate to aspects of personal and business income tax planning that might not traditionally be addressed via insurance and annuities. Regardless, clients will inevitably have questions about the new law, and therefore the major provisions are summarized below. The first table shows the fate of expiring provisions in the 2017 Tax Cuts and Jobs Act (TCJA). The second table lists new provisions enacted by the OBBBA.

Expiring TCJA Provisions

| Current Law Expiring 12/31/2025 | Status under OBBBA, Effective 1/1/2026 |
|---|---|
| Exemptions: Estate, gift, and GST exemptions temporarily doubled. | Increased to \$15 million, indexed for inflation, and made permanent. |
| Nonprofit excise tax: Required any nonprofit with employees making over \$1 million to pay an excise tax of 21% on the amount of compensation over \$1 million for its top five earners. | Expands the application of the tax so that it applies to all employees making over \$1 million, not just the top five. Includes any current or former employee who met the definition in any taxable year beginning 1/1/2017. |

| Current Law Expiring 12/31/2025 | Status under OBBBA, Effective 1/1/2026 |
|--|---|
| State and local tax (SALT) deduction: \$10,000 maximum deduction for state and local taxes. | Temporarily raised to \$40,000+ from 2026–2029. Added phaseout for taxpayers with modified adjusted gross income over \$500,000. Returns to \$10,000 in 2030. |
| Income tax brackets: New individual income tax brackets set at 10%, 12%, 22%, 24%, 32%, 35%, and 37%, each with higher income thresholds (top bracket applies at \$751,600 for joint filers). | Made permanent and added an extra year of inflation adjustment to the lowest three brackets. |
| Standard deduction: Increased the amount of the standard deduction for single and joint filers. | Increased again slightly and made permanent (effective 1/1/2025). |
| Personal exemption: Eliminated the personal exemption. | Elimination is permanent. |
| Mortgage interest deduction: Limit on debt eligible for the mortgage interest deduction lowered to \$750,000. Eliminated deduction for interest on home equity lines of credit. | Made permanent. |
| Miscellaneous itemized deductions: Eliminated miscellaneous itemized deductions. | Made permanent. Unreimbursed employee expenses for certain K–12 educators and coaches are no longer considered miscellaneous itemized deductions. |
| Charitable deductions: Changed limitations for charitable deductions for income tax purposes. | Changed so that charitable deductions can be claimed only to the extent they exceed 0.5% of adjusted gross income if the taxpayer itemizes. Taxpayers who don't itemize may deduct up to \$1,000/\$2,000 (single/joint). Changes are permanent. |
| "Pease" limitation: Repealed the "Pease" limitation on itemized deductions, with reduction capped at 80% of itemized deductions. | Pease limitation permanently repealed. Replaced with new limitation which effectively caps the value of itemized deductions at 35%. |
| Alternative minimum tax (AMT) exemption: Higher AMT exemptions for individuals and increased income levels for phaseout of exemption. | Permanently extends the increased AMT exemption amounts from a previous sunset of 2025, increases phaseout amount from 25% to 50%, and modifies the inflation adjustment. |
| 199A: Created new deduction of 20% of "qualified business income" under new Code section 199A. | Made permanent, with some minor changes to expand the benefit. The amount eligible for deduction remains at 20%. |
| Child tax credit: Temporarily raised the child tax credit limit to \$2,000, among other changes. | Increased to \$2,200, is now indexed for inflation going forward and made permanent. |
| Qualified small business stock gains: Expanded exclusion from income from gain of sale of "qualified small business stock." | Further expanded the exclusion. See amended IRC section 1202 for details. |

New OBBBA Provisions

| Provision | Expiration Date |
|---|--|
| Senior deduction: New, temporary "senior deduction" of \$6,000 for people 65 and older with a phaseout at \$75,000/\$150,000 of modified adjusted gross income (single/joint). Applies in addition to the standard deduction. | 12/31/2028 |
| Deduction on tips: New, temporary deduction of up to \$25,000 per year on "qualified tips," with a phaseout at \$150,000/\$300,000 of modified adjusted gross income (single/joint). Applies to certain occupations in which tips are customarily and regularly received (to be defined by the Treasury Department). | 12/31/2028 |
| Overtime deduction: New, temporary deduction of up to \$12,500/\$25,000 per year (single/joint) for "qualified overtime compensation." | 12/31/2028 |
| Vehicle loan interest deduction: New, temporary deduction of up to \$10,000 per year on "qualified passenger vehicle loan interest." | 12/31/2028 |
| Electric and hybrid vehicle tax credit: Eliminates the \$7,500 tax credit for individuals who purchase certain new electric and hybrid vehicles, and the \$4,000 tax credit for purchase of a pre-owned vehicle. | The tax credits were previously set to expire in 2033 and will now expire for vehicles purchased after 9/30/2025 for new vehicles and 12/31/2025 for pre-owned vehicles. |
| Clean energy tax credits: Eliminated other clean energy related tax credits such as alternative fuel vehicle refueling property credit, clean hydrogen production credit, energy efficient home improvement credit, residential clean energy credit, and new energy efficient home credit. | There are varying effective dates. The residential clean energy credit terminates 12/31/2025. |
| 529 account rules: Expanded the types of expenses that can be paid tax-free from 529 accounts. | None (permanent). |
| "Trump Accounts": Establishes new tax-advantaged "Trump Accounts" which contain some similarities to IRAs, can be opened on individuals under age 18, and receive contributions of up to \$5,000 per year until the individual reaches age 18. Accounts established for U.S. citizens born after 12/31/2024 and before 1/1/2029 receive a \$1,000 bonus contribution from the U.S. government. | None (permanent). |

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