VALDES VIEW

Trump's One Big Beautiful Bill Act (OBBBA): What You Need to Know

July 8, 2026

The *One Big Beautiful Bill Act* proposes sweeping changes to the tax code, building on the 2017 Tax Cuts and Jobs Act (TCJA) and introducing new benefits for taxpayers. Below is a summary of the key provisions:

ESTATE TAXES

- **Higher Estate & Gift Tax Exemption**
  - Effective next year (2026), the lifetime estate and gift tax exemption will increase to $15 million per person or $30 million per couple.

INCOME TAXES

- **Permanent Extension of Lower Rates**
  - Today's seven ordinary income tax brackets — 10%, 12%, 22%, 24%, 32%, 35%, and 37% — are now made permanent under the OBBBA.
- **Higher Standard Deduction**
  - The TCJA's higher standard deduction becomes permanent and increases in 2025:
  - Single: $15,750
  - Head of Household: $23,625
  - Married Filing Jointly: $31,500
- **New Senior Deduction**
  - Starting in 2025, taxpayers age 65+ can deduct an additional $6,000 per person. Phases out by 6% of AGI over $75,000 ($150,000 married) and is available through 2028.
- **Child Tax Credit Increase**
  - The child tax credit rises to $2,200 per child in 2025 and is indexed for inflation from 2026 onward. This higher amount is made permanent.
- **Higher SALT Deduction (Temporary)**
  - The state and local tax (SALT) deduction cap increases to $40,000 in 2025. Phased out for incomes above $500,000 and reverts to $10,000 in 2030.
- **New Deductions for Work-Related Income (2025–2028)**
  - Tips: Deduct up to $25,000 in qualified tips (phases out for high incomes).
  - Overtime: Deduct up to $12,500 (single) or $25,000 (married) of overtime pay.
- **Charitable Deduction for All**
  - Non-itemizers can deduct up to $1,000 ($2,000 married) of charitable contributions even while taking the standard deduction.
- **Enhanced Dependent Care Benefits**
  - Dependent Care FSA limit rises to $7,500.
  - Child/dependent care credit rises to cover up to 50% of expenses starting in 2026.

ACCOUNT TYPE CHANGES

- **Expanded 529 Plan Uses**
  - Can now be used for qualified K–12 expenses starting in 2026.
  - Includes post-secondary credentials as qualified expenses (like the CFP®).
- **Trump Account for Minors**
  - A tax-advantaged retirement-style account for beneficiaries under age 18.
  - Includes an IRS-funded pilot program: $1,000 will be contributed by the IRS to Trump Accounts for children born between 2025–2028.
  - Tax treatment mirrors a Traditional IRA, rather than capital gains treatment.
  - Must be invested in a U.S.-domiciled mutual fund or ETF that meets specified rules.
  - If the beneficiary dies before age 18, the account balance is taxable immediately to the beneficiary (or on their final return if deceased).

> ***What This Means for You:*** *The passing of the One Big Beautiful Bill Act marks a significant shift in the tax landscape — with long-term implications for income, estate, and financial planning. While many of these changes offer meaningful savings and new opportunities, they also come with complexity and time-sensitive windows for action.*
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> *Whether you're looking to preserve wealth, maximize deductions, or plan for future generations, now is the time to revisit your strategy. We're here to help you make sense of the changes — and make the most of them.*

As always, FD Wealth recommends staying balanced, diversified and invested. Despite short-term market pullbacks, it's more important than ever to focus on the long-term, improving the chances for investors to reach their goals.

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