

The OBBBA: Tax Changes and Savings Opportunities

The One Big Beautiful Bill Act (OBBBA), enacted as P.L. 119-21, brings sweeping changes to the federal tax code and related laws, with significant implications for both individual taxpayers and businesses starting in 2025 and beyond. At Archford, we aim to help our clients get the full benefits associated with emerging, new and existing tax laws. In accordance with our Mission, we exhaustively monitor developing changes and new enactments to tax laws to maximize tax benefits and compliance on an ongoing basis.

We have highlighted some of the most important changes affecting individuals. The OBBBA was signed into law on July 4, 2025, and represents the most sweeping tax reform since the Tax Cuts and Jobs Act (TCJA).

KEY PROVISIONS & IMPLICATIONS

Increased and Permanent Standard Deduction

The increased standard deduction is made permanent and further increased. For 2025, the standard deduction is \$31,500 for married filing joint and \$15,750 for singles, with inflation adjustments thereafter.

New Senior Deduction

A new \$6,000 deduction is available for each taxpayer (and spouse, if married filing jointly) age 65 or older (so \$12k if both spouses are age 65 by year end), for tax years 2025-2028. This deduction phases out at higher incomes (\$75,000 for singles, \$150,000 for joint filers).

Expanded and Permanent Child Tax Credit

The child tax credit is increased to \$2,200 per qualifying child, made permanent.

New Deductions for Tips, Overtime and Car Loan Interest (2025-2028)

No Tax on Tip Income: Up to \$25,000 of qualified tips per year can be deducted, subject to income phaseouts and occupation requirements.

No Tax on Overtime: Up to \$12,500 (\$25,000 joint) of qualified overtime pay per year can be deducted, subject to income phaseouts.

Car Loan Interest above the line deduction: Up to \$10,000 per year of interest paid on loans for new, U.S.-assembled personal vehicles can be deducted, subject to income phaseouts and other requirements. Itemization not required.

Estate and Gift Tax Exemption Increased

The estate and gift tax exemption is permanently increased to \$15 million (indexed for inflation), effective for estates of decedents dying and gifts made after December 31, 2025.



KEY PROVISIONS & IMPLICATIONS

Mortgage Interest Deduction and SALT Cap

The \$750,000 cap on the mortgage interest deduction is made permanent, and mortgage insurance premiums are treated as interest.

The state and local tax (SALT) deduction cap is increased to \$40,000 (\$20,000 MFS) for 2025, indexed for inflation, with a phase-down for high incomes, reverting to \$10,000 after 2029.

Charitable Contribution Deductions

Above-the-line charitable deduction for non-itemizers is increased to \$1,000 (\$2,000 joint) and made permanent.

A 0.5% of AGI floor is imposed for individuals, and a 1% of taxable income floor for corporations, on charitable contribution deductions (For tax years after 12/31/2025).

Other Notable Provisions

Expanded Child and Dependent Care Credit: The credit is increased to 50% of eligible expenses, with higher phaseout thresholds.

529 Plan Expansion: 529 accounts can be used for a broader range of K-12 expenses and post-secondary credentialing expenses, with higher annual limits.

IMPACT ON BUSINESSES

Full Expensing and Bonus Depreciation

Permanent 100% Bonus Depreciation: The OBBBA makes 100% bonus depreciation for qualified business property permanent for property acquired after January 19, 2025. This allows businesses to immediately deduct the full cost of eligible property, rather than depreciating it over several years

Section 179 Expensing: The annual limit for Section 179 expensing is increased to \$2.5 million, with a phaseout threshold at \$4 million, both indexed for inflation.

Immediate Expensing of Domestic R&D

Section 174A: Domestic research and experimental (R&E) expenditures can now be fully expensed immediately, rather than amortized over five years. Foreign R&E must still be amortized over 15 years.

Qualified Business Income Deduction (Section 199A)

Enhancements: The phase-in threshold for the Section 199A deduction is increased to \$75,000 (\$150,000 for joint filers), and a \$400 minimum deduction is established for active business income, with inflation adjustments.

Disclosure:

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