

# What's new in taxes: 2025 OBBBA highlights

**On July 4, 2025, the President signed into law an omnibus tax and budget package which Congress titled the One Big Beautiful Bill Act (OBBBA). The legislation made key changes to several tax provisions, as well as making permanent many of the provisions from 2017's Tax Cuts and Jobs Act (TCJA) that were set to expire at the end of 2025. Below is a summary of select tax law changes that impact individuals and investors.**

## Income Tax

### Tax rates

The OBBBA makes permanent several of the tax provisions from the 2017 TCJA that affect individuals. These items will remain permanent going forward. First, individual income tax rates will remain permanently as provided in the table. The OBBBA provides that the 10% and 12% brackets will get one additional year of inflation adjustments before the brackets' thresholds are locked in. Capital gain rates remain unchanged. These changes are effective after 12.31.2025.1

| Tax type                              | Single                        | Married filing jointly        |
|---------------------------------------|-------------------------------|-------------------------------|
| <b>Ordinary income tax brackets</b>   |                               |                               |
| 10%                                   | \$0-\$11,925                  | \$0-\$23,850                  |
| 12%                                   | \$11,926-\$48,475             | \$23,851-\$96,950             |
| 22%                                   | \$48,476-\$103,350            | \$96,951-\$206,700            |
| 24%                                   | \$103,351-\$197,300           | \$206,701-\$394,600           |
| 32%                                   | \$197,301-\$250,525           | \$394,601-\$501,050           |
| 35%                                   | \$250,526-\$626,350           | \$501,051-\$751,600           |
| 37%                                   | \$626,351+                    | \$751,601+                    |
| <b>LT capital gains rates</b>         |                               |                               |
| 0%                                    | Up to \$48,350                | Up to \$96,700                |
| 15%                                   | \$48,351-\$533,400            | \$96,701-\$600,050            |
| 20%                                   | \$533,401+                    | \$600,051+                    |
| <b>3.8% net investment income tax</b> | Kicks in above \$200,000 MAGI | Kicks in above \$250,000 MAGI |

### Tax deductions

The OBBBA makes permanent the standard deduction increases first introduced in 2017's TCJA. For 2025, the standard deduction will be \$15,750 for single filers and \$31,500 for married couples filing jointly. These amounts will be indexed for inflation annually.2 The personal exemption and the dependency exemption, removed by the 2017 TCJA, have now been permanently repealed.

One of the more contentious debates during the legislative process was reforming the deduction limitations for State and Local Taxes, the so-called SALT deduction. You may recall that the deduction was limited by the 2017 TCJA to \$10,000. After many re-writes during negotiation of the new bill, the OBBBA temporarily increased the SALT deduction to \$40,000, with some caveats. The increased deduction limit will only be effective from 2025 to 2029. It will be indexed at 1% per year through 2029, then reverts to \$10,000 in 2030. The limit is phased out by 30% of AGI over \$500,000, but not less than \$10,000.<sup>3</sup>

When the OBBBA was being crafted in Congress, there was much discussion about enacting “no tax on Social Security.” Congress settled on a solution that will give some tax relief to some people on Social Security, while falling short on the broader promise of making all Social Security income non-taxable. In particular, the OBBBA provides for a temporary \$6,000 deduction for qualified people aged 65 or older. This deduction will only be available from 2025 to 2028. This deduction will begin to phase out at \$75,000 MAGI (\$150,000 Married Filing Jointly), reduced by 6% of income over the initial phase out amount.<sup>4</sup>

Regarding charitable deductions, there is a new \$1,000 deduction (\$2,000 for married filing jointly) for taxpayers who don’t itemize and take the standard deduction, effective for tax years after 12.31.2025. The deduction only applies to cash donations to a qualified charity (i.e., excludes donor advised funds and supporting organizations).<sup>5</sup> For taxpayers who itemize, there is a new 0.5% floor on itemized charitable deductions, which will reduce the deduction by 0.5% of the taxpayer’s “contribution base” (generally equals AGI).<sup>6</sup>

### **Alternative Minimum Tax**

The increased Alternative Minimum Tax (AMT) exemption amounts from the 2017 TCJA have been made permanent, but with some changes from the current rules.<sup>7</sup>

|                                  |  |
|----------------------------------|--|
| <b>AMT exemption phase-out</b>   | Permanently resets to the higher post-TCJA levels—\$500,000 for single filers, \$1,000,000 for married filing jointly  |
| <b>Phase-out rate adjustment</b> | Phase-out accelerated: exemption reduced by <b>50%</b> of the amount by which AMTI exceeds threshold—rather than the prior 25%.  |
| <b>Key impact</b>                | This phase-out is <b>twice as fast</b> as the prior rule (25% reduction), so households with very high income will reach <b>zero exemption</b> more quickly under the AMT calculation. |

### **Estate tax**

The 2017 TCJA doubled the federal estate and gift tax exemption from a base amount of \$5,000,000 to \$10,000,000. With annual adjustments for inflation, it reached \$13,990,000 in 2025. However, this increased exemption was set to revert back to pre-TCJA levels in 2026. The OBBBA has raised the federal exemption to \$15,000,000, and it is now permanent. The separate Generation-Skipping Transfer (GST) exemption is also permanently increased to \$15,000,000. The new exemption amounts will apply after 12.31.2025.<sup>8</sup>

### **Child IRAs (“Trump Accounts”)**

The OBBBA created a new tax-advantaged savings vehicle for children under 18, similar in structure to IRAs. The legislation refers to them as “Trump Accounts,” but they may alternatively be called 530A accounts after the new code section assigned to it. Annual contributions are capped at \$5,000 (indexed after 2027). Funds cannot be accessed before age 18 (a rollover may be permitted, based on

forthcoming regulations). Account investments are limited to low-fee ETFs and mutual funds. Employers may also contribute \$2,500 per year to an employee's child's account. A qualified child born from 2025 to 2028 with US citizenship and parent citizenship can receive a one-time \$1,000 contribution from the federal government.

## **529 accounts**

The OBBBA enhances 529 plan flexibility by increasing the K-12 expense cap from \$10,000 to \$20,000 and allowing use for curriculum, books, tutoring, online tools, dual enrollment and educational therapy. In addition, 529 eligible expenses are expanded to include postsecondary credentialing expenses tied to approved programs.<sup>9</sup>

## **Qualified Opportunity Zones**

The OBBBA replaced the original Qualified Opportunity Zone (QOZ) program created in the 2017 TCJA, whose benefits were to expire at the end of 2026. The new rules create recurring 10-year QOZ terms starting July 1, 2026. The QOZ program allows for the sale of any appreciated assets such as real estate or stocks, with a reinvestment of the deferred gain into a Qualified Opportunity Fund. Unlike a 1031 Exchange, there is no requirement to invest in a like-kind property to defer the gain. There is also the potential to get a partial step-up in the basis of the investment as well as tax-free appreciation on the new QOZ investment.<sup>10</sup> The new QOZ program will be a welcome benefit for investors, since the original QOZ window was set to close in 2026.

## **Qualified small business stock gain exclusion**

Section 1202 of the Internal Revenue Code provides for the exclusion of gain from the sale of a business. It is limited to owners who hold original issue stock from C corporations engaged in certain businesses (generally excludes service businesses). The OBBBA introduced tiered exclusion percentages: 50% gain exclusion at 3 years of ownership, 75% exclusion at 4 years, and 100% exclusion at 5 years. In addition, the per-owner cap was raised from \$10,000,000 to \$15,000,000 and increased the gross asset ceiling from \$50,000,000 to \$75,000,000. The new rules apply for qualified small business stock acquired after July 4, 2025.<sup>11</sup> While the 1202 gain exclusion may apply to a limited class of businesses, if an owner does qualify the tax savings can be significant. To determine if you may qualify for QSBS gain exclusion, contact your Mesriow Wealth Advisor for more details.

Published August 2025

1. OBBBA §70101(a)-(c); IRC §1(j)(1) | 2. OBBBA §70102(a)-(c); IRC §63(c)(7) | 3. OBBBA §70120(a)(-c); IRC §164(b)(6)-(7) | 4. OBBBA §70103(a); IRC §151(d)(5)(C) | 5. OBBBA §70424(a),(b); IRC §170(p) | 6. OBBBA §70425(a)-(c); IRC §170(b)(1)(I), 170(d)(1) | 7. OBBBA §70107(a)-(c); IRC §55(d)(4) | 8. OBBBA §70106(a); IRC §2010(c)(3) | 9. OBBBA §70413-70414; IRC §529(c)(7),(e)(3)(A),(C),(f) | 10. OBBBA §70421(a)(-e); IRC §1400Z-1(b)-(d) | 11. OBBBA §70431; IRC §1202

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