

Gibbons Individual and Estate Tax News

The One Big Beautiful Bill Act Individual and Estate Tax Highlights

By: Rita M. Danylchuk
and Jeffrey R. Pittard

On July 4, 2025, President Trump signed the “One Big Beautiful Bill Act” (the “Act”) into law that makes permanent many changes from the 2017 Tax Cuts and Jobs Act (TCJA) from President Trump’s first term that otherwise would have sunset after 2025. An earlier version of the Act was originally approved by the House Committee on Ways and Means on May 14, 2025, with the Senate approving a modified version on July 1, 2025. The House of Representatives then approved the Senate’s version on July 3, 2025.

The following is a high-level overview of some of the critical provisions of interest to individuals.

Any references to “Section” refer to sections of the Act, whereas specific Internal Revenue Code Section references are indicated by “IRC Section.”

A link to the complete Act is [here](#).

Individual Tax Provisions

Some of the Act’s major individual income tax provisions include:

Makes Many of the 2017 TCJA Provisions Permanent

The Act makes many of the tax cuts adopted under the TCJA that would otherwise have sunset after 2025, permanent. Certain of these provisions include:

- Effective January 1, 2026, makes the TCJA income tax brackets permanent with the top individual income tax rate of 37 percent; without this change the highest income tax bracket would have reverted to the higher pre-TCJA rate of 39.6 percent after December 31, 2025.
- Permanently increases the standard deduction effective as of January 1, 2025,



Rita M. Danylchuk
rdanylchuk@gibbonslaw.com
973-596-4563



Jeffrey R. Pittard
jpittard@gibbonslaw.com
973-596-4438

and indexed for inflation thereafter.

- Increases exemption amounts and phase-out thresholds for the alternative minimum tax, effective January 1, 2026.
- Permanently disallows (as of January 1, 2026) miscellaneous itemized deductions (including tax preparation fees and investment management fees), except with regard to certain unreimbursed expenses of eligible educators (*i.e.*, teachers through grade 12).
- Prior to the TCJA, a limitation existed (referred to as “Pease limitation”) that reduced itemized deductions for high-income taxpayers. The Pease limitation was temporarily suspended under the TCJA and is now eliminated under the Act. The Act now provides that, effective January 1, 2026, for individual taxpayers in the 37 percent tax income tax bracket, a limitation of 35 percent of the taxpayer’s itemized deductions can be used to reduce their tax liability.
- Continues to apply a \$750,000 (\$375,000 if married filing separately) limitation on home mortgage acquisition indebtedness eligible for mortgage interest deduction, as well as no deduction allowable for interest on home equity loans.
- Permanently increases the base amount of child tax credit, which for 2025 is \$2,200 and indexed for inflation thereafter; the Act also requires the taxpayer claiming the credit or the taxpayer’s spouse (if married filing jointly) and the child for whom the credit is claimed to have Social Security Numbers.
- Eliminates personal exemptions – except the Act now allows a \$6,000 deduction for seniors age 65 and older for years 2025 through 2028, subject to a phase-out based on modified adjusted gross income exceeding \$75,000 (or \$150,000 if married filing jointly).

Tips and Overtime

The Act allows for a reduction, but not necessarily an elimination, of tip and overtime income. Retroactive to January 1, 2025, and ending December 31, 2028, tipped workers may deduct up to \$25,000 of “qualified tips” during a tax year and overtime workers may deduct up to \$12,500 of “qualified overtime compensation” per year (or up to \$25,000 if married filing jointly). Both of these are above-the-line deductions, which means taxpayers do not need to itemize in order to claim these deductions on their income tax return, and both deductions start to phase out once a taxpayer’s modified adjusted gross income exceeds \$150,000 (or \$300,000 for married filing jointly).

- *What are qualified tips?* Section 70201 defines qualified tips as tips that are received from customers or through tip sharing. The customer must not be under any obligation to tip, and the amount of the tip must be determined by the payor and not subject to negotiation. The taxpayer must work in an occupation that customarily and regularly receives tips. The Act gives the IRS until October 2, 2025, to publish a list of occupations that “customarily and regularly” receive tips. Self-employed individuals in a Specified Service Trade or Business (as defined in IRC Section 199A) and employees whose employer is a Specified Service Trade or Business are not eligible.
- *What is qualified overtime compensation?* Section 70202 defines qualified overtime compensation as the pay that exceeds a taxpayer’s regular rate of pay (*i.e.*, time-and-a-half pay) required by the Fair Labor Standards Act (FLSA). Therefore, overtime pay mandated by a collective bargaining agreement will not qualify unless required to be paid under the FLSA.
- *Medicaid and Social Security Withholding still required on both qualified tips and qualified overtime compensation.* Both qualified tips and qualified overtime compensation remain subject to FICA withholding and will need to be reported to the IRS on Form W-2, Form 1099, or other specified statement furnished to an

employee.

- *Both deductions require that a worker provide a work-eligible Social Security Number for themselves and, if married, they must file a joint return.*

"No Tax" on Car Loans Interest

Prior to the Act, interest on individual auto loans was treated as non-deductible for income tax purposes. Section 70203 creates an above-the-line deduction for years 2025 through 2028 of up to \$10,000 of qualified passenger vehicle loan interest paid in a given taxable year for an automobile purchased after 2024, subject to a phase-out based on modified adjusted gross income exceeding \$100,000 for a single individual or \$200,000 for married filing jointly. This deduction for car loan interest shall not apply to any amount paid or incurred on any lease financing, loans to finance fleet sales or the purchase of commercial vehicles not used for personal purposes, and certain other exceptions. A "qualified passenger vehicle" includes cars, minivans, SUVs, pickup trucks, and motorcycles purchased for personal use and the final assembly of which must have occurred in the U.S.

Creation of Trump Accounts

Section 70204 provides for the creation of special accounts for minor children ("Trump Accounts"), which are essentially treated like traditional IRAs. The United States Treasury will contribute \$1,000 to these accounts for any child (who is a United States citizen and has a Social Security Number) born between January 1, 2025, through December 31, 2028. For a minor child not born between 2025 and 2028, parents may still fund a Trump Account (subject to overall contribution limits as noted below), although without the initial \$1,000 contribution being made by the United States Treasury. To be eligible for funding of a Trump Account, there are no income limitations, although at least one parent of the minor child must also have a Social Security Number.

- A Trump Account must invest in certain "eligible investments" that are either mutual funds or certain exchange traded funds. Eligible investments may not charge annual fees and expenses of more than 0.1 percent of the balance of the investment in the fund.
- Aside from the initial \$1,000 funded by the United States Treasury, parents can contribute to a Trump Account up to \$5,000 per year per child until the child turns age 18. This amount will be indexed for inflation beginning after 2027 and likely will count toward the annual gift exclusion amount.
- Employers also can contribute up to \$2,500 per year (adjusted annually for inflation after 2027) to a Trump Account for the benefit of the employee or the employee's dependent child. Contributions by an employer will not be included in the employee's gross income.
- No distribution from a Trump Account may be made to the child until the first day of the calendar year in which the child turns age 18, after which the monies can be withdrawn penalty-free for certain purposes, which include higher education expenses or a new home purchase (up to \$10,000); otherwise withdrawals after age 18 are treated much like a traditional IRA.

Modifying the SALT Deduction Cap

Effective January 1, 2025, the Act increases the cap on the amount of the deduction for state and local taxes paid by individuals and married couples filing jointly to \$20,000 and \$40,000, respectively (the "**SALT deduction cap**"). The SALT deduction cap increases 1 percent each year after 2025 and before 2030.

- This provision increases the SALT deduction cap from \$10,000 before the Act was passed (or \$5,000 if married filing separately). Note that the new \$40,000 SALT deduction cap reverts to \$10,000 for taxable years beginning after 2029.
- As amended by the Act, the SALT deduction cap of \$40,000 shrinks by 30 percent

to the extent of the excess of the taxpayer's modified adjusted gross income over the threshold amount, which is \$500,000 for 2025 for married filing jointly (or \$250,000 if married filing separately), but not to an amount less than \$10,000. Modified adjusted gross income means adjusted gross income increased for amounts excluded under IRC Sections 911, 931, or 933.

- Pass-through entity business owners will laud the fact that pass-through entity tax (**PTET**) deductions are not limited, as the version from the House Committee on Ways and Means initially provided.

- *Timing* – This provision is effective for taxable years beginning after December 31, 2025.

Estate and Gift Tax Provisions

Increased Estate, Gift, and GST Tax Exemption

Effective January 1, 2026, the Act increases the estate, generation-skipping transfer (GST) tax, and lifetime gift tax exemption to \$15 million per individual. This amount is indexed for inflation going forward. Further, this provision is extended indefinitely and does not sunset after a specific period of time.

gibbonslaw.com

NJ NY PA DE DC FL

Gibbons P.C. is headquartered at One Gateway Center, Newark, NJ 07102.

This communication provides general information and is not intended to provide legal advice.
Should you require legal advice, you should seek the assistance of counsel.

© 2025. Gibbons P.C. All rights reserved. ATTORNEY ADVERTISING.
Prior results do not guarantee a similar outcome.

Gibbons P.C. | One Gateway Center | Newark, NJ 07102 US

[Unsubscribe](#) | [Update Profile](#) | [Our Privacy Policy](#) | [Constant Contact Data Notice](#)