

summaries



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ONE BIG BEAUTIFUL BILL ACT

The following is written by Ryan Peruski, Sigma's summer intern. Ryan shares some valuable insight regarding the new One Big Beautiful Bill that was recently passed on July 4th, 2025.

Intro to OBBBA:

As we wrapped up President Trump's first six months, congress signed into law the One Big Beautiful Bill (OBBBA). This law was, in part, a follow up on President Trump's Tax Cuts and Jobs Act of 2017 (TCJA).

This bill has many extensions of the TCJA as well as many new provisions being introduced. The stated goal of the bill is to stimulate domestic manufacturing and provide long-term tax relief for individuals and businesses. While the bill is quite long, I want to summarize a few key points that may be most impactful for you and your money. As you read my summary below, it is important to note that it is possible any provisions made "permanent" could be overturned by future legislative action.

New Senior Deduction & Standard Deduction Increase

New in this bill, taxpayers aged 65 and older can now claim up to a \$6,000 additional deduction if single or up to a \$12,000 additional deduction for joint filers where both spouses are age 65 or older. This deduction begins to phase out once Adjusted Gross Income (AGI) passes \$75,000 (single) or \$150,000 (joint), and is fully eliminated once AGI surpasses \$150,000 (single) or \$250,000 (joint). This provision was not made permanent and expires after 2028. The larger senior deductions may have been introduced as a partial fulfillment of the President's campaign promise to eliminate taxes on social security, which was not

implemented. As well, the current standard deduction that is available to all taxpayers is receiving a slight increase starting in 2025. The levels will rise from \$15,000 to \$15,750 for single filers, and from \$30,000 to \$31,500 for joint filers. These adjustments were made permanent.

Charitable Donations

A new provision allows non-itemizers to deduct up to \$1,000 (single) or \$2,000 (joint) for eligible charitable cash donations beginning in 2026. Essentially, it's possible for a taxpayer to take the standard deduction and receive a charitable deduction. While this is not a direct reason to become charitable, it is a bonus for those who already give modest cash donations to charity. For those who itemize, 2026 will introduce a floor of 0.5% of the taxpayers' AGI. Ultimately, deductions are only allowed to the extent that an individual's contributions exceed 0.5% of their AGI. As an example: Charlie is a single taxpayer with \$250,000 of AGI, that means his deductible contributions will be subject to a floor of \$1,250 ($250,000 \times 0.5\%$), so if he donated \$10,000, he can only deduct \$8,750. This new legislation caps the tax benefit of itemized deductions at 35% even for those in the 37% marginal tax bracket. Therefore, for high income earners who plan to make charitable contributions, it may be more beneficial to do so in 2025.

SALT Deduction Increase

Before the OBBBA the itemized deduction for state and local taxes (SALT) was capped at \$10,000. However, with this new bill, the SALT deduction limit will be increased to \$40,000 starting in 2025. This limit adjusts for inflation by 1% each year from 2026-2029. The cap reverts back to \$10,000 in 2030,

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as this provision is not permanent. Unfortunately, not all households are eligible for this new deduction, as the phase-out will begin at a modified adjusted gross income (MAGI) of \$250,000 for single filers and \$500,000 for joint filers. This will also be indexed 1% each year.

Estate Tax Exemption:

In 2017, one of the most significant changes with the Tax Cuts & Jobs Act (TCJA) was the estate tax exemption being raised from \$5.6 million to \$11.2 million per person. Inflation-adjusted, the exemption has since grown to \$13.99 million in 2025. Prior to the passing of the OBBBA, this exemption was set to decrease again back to pre-2017 levels (plus an inflation adjustment). However, in the OBBBA, this exemption was increased to \$15 million (or \$30 million for couples) starting in 2026. This is another permanent addition to the bill.

Bonus Depreciation:

This section of the OBBBA is particularly helpful for business owners, as it eliminated the phase-out and permanently restored 100% bonus depreciation for certain qualified property. This typically includes new and used tangible personal property with a recovery period of 20 years or less, such as machinery, equipment, vehicles, etc. To qualify, the property must be placed in service after January 19th, 2025. This was made permanent and provides a predictable incentive for business owners to invest in core assets. The list of qualifying property is nuanced, so a tax professional should be consulted before taking any action.

ACA Expiration

As it stands today, The Affordable Care Act (ACA) subsidizes a significant portion of the cost of health insurance for taxpayers whose income is below 400% of the federal poverty level, and provides lower levels of support to taxpayers beyond 400% of the federal poverty level by capping their insurance premiums at 8.5% of MAGI. The 8.5% income cap beyond 400% of poverty was originally introduced as a temporary response to COVID-19. The OBBBA did not extend the 8.5% benefit. This means that anyone over 400% of the federal poverty level in 2026 must pay full price for their ACA marketplace premiums. Decisions will likely need to be made during open enrollment as to whether to stay on the ACA in 2026 or find new insurance elsewhere. For those who stay on the ACA, it will be very important to strategically manage income to ensure the 400% of federal poverty level threshold is not passed.

Conclusion:

While this list does not include every provision in the OBBBA, we have tried to highlight the new changes that will affect the greatest number of clients. If you have any further questions regarding the OBBBA, please reach out to your Sigma advisor to discuss how your personal plan may be affected by this new bill.

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