

Key changes from the One Big Beautiful Bill Act (OBBBA)



While the OBBBA was enacted in 2025, many provisions became effective in 2026, making now an important time to revisit tax, estate, charitable giving and business planning strategies with your clients. Use this resource to understand the changes and how they might impact your clients.

What’s new	What should clients know	Conversations to consider with clients and tax professionals
Income tax rates and brackets		
Income tax rates and brackets from the Tax Cuts and Jobs Act of 2017 (TCJA) are extended, indexed for inflation.	Standard deduction increases to \$16,100 (single) and \$32,200 (married filing jointly or MFJ) in 2026.	Ongoing tax bracket management and income smoothing; consider Roth conversions, charitable giving and general timing of income and deductions.
Alternative minimum tax (AMT)		
The AMT rules from the TCJA (which resulted in far fewer taxpayers being subject to AMT) are extended.	Even though the AMT rules from the TCJA were extended, a revision to 2018 exemptions and phaseouts will result in greater AMT exposure for some.	Discuss potential AMT exposure for 2026 and beyond. Consider timing the exercise of incentive stock options (ISOs), large capital gain events and other AMT preference items to help limit exposure to AMT.
State and local tax (SALT) deduction		
Temporary increase of the SALT deduction cap.	Deduction cap increases to \$40,400 in 2026. This change sunsets after 2029 and the cap reverts to \$10,000 in 2030.	Consider ways to keep income at or below \$505K (2026). For high net worth (HNW) clients, spread out income among non-grantor irrevocable trusts.
SALT deduction phaseout for high earners.	Phaseout begins at \$505,000 (both single and MFJ) for 2026 and completely phases out at \$606,333 in income for 2026 (reverts to \$10,000).	Consider pass-through entity tax (PTET) structure for clients with pass-through entities.
Charitable giving		
New charitable deduction for non-itemizers.	Up to \$1,000 (single)/\$2,000 (MFJ) deduction for cash gifts to public charities starting in 2026.	Discuss charitable giving strategies in light of the new deduction for non-itemizers and new limitations for itemizers. Consider bunching contributions to a donor-advised fund to clear the standard deduction and AGI hurdle. Consider making qualified charitable distributions (QCDs) from retirement accounts, if eligible, to navigate around the new limitations. Review assets earmarked for charitable giving and explore whether donating long-term appreciated stock instead of cash will enhance the tax benefits of a charitable gift.
New deduction limitations for itemizers.	Starting in 2026, new floor of 0.5% of adjusted gross income (AGI), in addition to a 35% deduction cap for those in the 37% income tax bracket.	
529 education savings accounts		
Limits for using 529 funds for K-12 education have increased.	Effective in 2026, the annual limit for using 529 funds for K-12 educational expenses is doubled, from \$10,000 to \$20,000.	These deductions may not be relevant to your client, but could be relevant to your client's parents, children, grandchildren, employees, etc.
Expanded uses of 529 funds.	The use of 529 funds has been expanded to include expenses such as fees for college admission exams and advanced placement tests, educational therapies and curriculum materials; and 529 funds can now also be used to pay for recognized postsecondary credentialing programs, whether the underlying career requires a college education or not.	Consider additional 529 contributions.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

What's new

What should clients know

Conversations to consider with clients and tax professionals

Section 199A/Qualified Business Income (QBI) deduction

Section 199A deduction for QBI for pass-through entities is extended.

This deduction phases out for higher incomes.

For business owners, review entity structure and compensation plan to optimize QBI.

Section 1202/Qualified Small Business Stock (QSBS)

Expanded limits and eligibility under section 1202 for QSBS.

For eligible stock acquired after July 4, 2025:

- Increased corporation asset limit: \$50 million to \$75 million
- Increased gain exclusion: \$10 million to \$15 million
- Holding period reduced from 5 years to 3, 4 or 5 years

Discuss if a new business or investment can qualify for QSBS treatment.

For clients considering selling a business, discuss eligibility for QSBS treatment.

For HNW clients, consider using irrevocable gift trusts to multiply QSBS exemptions.

Gift and estate tax exemption

Historically high gift and estate tax exemption is extended and increased.

Exemption increased to \$15M (~\$1M increase from 2025 exemption) per person in 2026.

Review estate planning documents in light of increased exemption. For clients that have used the full exemption amount, consider topping up gifts to use the full amount in 2026. For low basis assets, consider the benefits of keeping assets in the client's estate (to achieve step-up basis upon client's passing).

Deductions for non-itemizers

New deductions for those who do not itemize that took effect in 2025, expire on December 31, 2028.

Deductions include:

- Deductions for seniors 65+: \$6,000 per filer
- Deductions for overtime income: \$12,500 (single)/\$25,000 (MFJ)
- Deductions for tip income: Up to \$25,000 (single or MFJ)
- Deductions for auto loan interest: \$10,000 per year for new loans

These deductions phase out for higher incomes.

These deductions may not be relevant to your client, but could be relevant to your client's parents, children, grandchildren, employees, etc.

Discuss how to help these individuals optimize the benefits of these deductions.

Trump accounts

Trump accounts, a new type of tax-advantaged individual retirement account (IRA) for minor children. Eligible children born between January 1, 2025 and December 31, 2028, can receive a one-time \$1,000 federal contribution to a Trump account to help jump-start long-term investing. Individual contributions are generally made with after-tax dollars and are subject to a \$5,000 annual limit. Employers may contribute up to \$2,500 annually for an employee or the employee's dependents; however, employer contributions count toward the overall \$5,000 annual limit.

Amounts generally may not be withdrawn before January 1 of the calendar year in which the child turns 18, after which the account is generally treated as a traditional IRA; no special tax rules apply. During the child's growth period, investment options are limited to low-cost U.S. equity index funds, with expense ratios capped at 0.10%. Contributions qualify for the annual gift tax exclusion if certain requirements are met, including that the donor's total gifts to the child for the calendar year (including Trump account contributions) do not exceed the annual gift tax exclusion amount (\$19,000 in 2026).

Consider Trump account contributions as a way to jump-start retirement savings for children and grandchildren. Trump accounts are especially worth consideration if the family has a long-term financial planning horizon. Note: 2026 contributions must be made prior to January 1, 2027.

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