



CARDINAL ADVISORS

One Big Beautiful Bill Act of 2025 OBBBA

In the video entitled "One Big Beautiful Bill Act of 2025 OBBBA" Hans and Tom use charts from Ed Slott to discuss income taxes.

ONE BIG BEAUTIFUL BILL ACT OF 2025 OBBBA			
S.S. <input type="checkbox"/>	<ul style="list-style-type: none">- REDUCED FEDERAL INCOME TAX RATES EXTENDED PERMANENTLY- ESTATE AND GIFT TAX EXEMPTION 15 MILLION/ PERSON 30 MILLION/ COUPLE STARTS IN 2026, ADJUSTED ANNUALLY- 20% QUALIFIED BUSINESS INCOME DEDUCTION MADE PERMANENT, EXPANDED INCOME LIMITS- STANDARD DEDUCTION INCREASE 2025 15,750 SINGLE 31,500 MARRIED/JOINT 2,000 + 65+ + 2(1,600) 65+- 6,000 SENIOR DEDUCTION 2025-2028- AVAILABLE TO THOSE WHO ITEMIZE- PHASE OUT 75,000 SINGLE/150,000 MARRIED- SALT (STATE + LOCAL TAX) FOR ITEMIZERS 2025-2029, 1% INCREASE EACH YEAR- 40,000 SAME FOR MARRIED/SINGLE- PHASE OUT 500,000-600,000- REDUCTION OF ITEMIZED (2026) DEDUCTION FOR THOSE IN 37% BRACKET	<ul style="list-style-type: none">- CHARITABLE DEDUCTION FOR NON-ITEMIZERS-2026 1000-SINGLE 2000 MARRIED FILING JOINT- TAX DEDUCTION FOR TIPS - 2025-2028 - MAXIMUM DEDUCTION 25,000 - SAME SINGLE OR MARRIED- PHASE OUT 15,000 SINGLE 300,000 MARRIED- TAX DEDUCTION OVERTIME - 2025-2028 - MAX 12,500 SINGLE 25,000 MARRIED- PHASE OUT 150,000 SINGLE 300,000 MARRIED- CHILD TAX CREDIT PERMANENTLY INCREASES TO 2,200/CHILD WITH INFLATION INCREASES FUTURE INCOME LIMIT 200,000 INDIVIDUAL 400,000 MARRIED- TRUMP ACCOUNTS - 5,000/CHILD - PARENTS, EMPLOYERS, OTHERS - ACCOUNTS FOR BABIES BORN 2025-2028 WILL BE SEEDER WITH 1,000 FROM GOVERNMENT	INCOME <input type="checkbox"/>
MED <input type="checkbox"/>			ESTATE <input type="checkbox"/>
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Sep. 2025

OBBBA 2025

One Big Beautiful Bill Act of 2025

Enacted July 4, 2025

There is no "SECURE 3.0" included in this legislation; it does NOT contain any changes directly related to IRA or retirement plan rules. For example, there are no changes to retirement account contribution limits or new Roth contribution rules. (This does not preclude the possibility of further tax legislation later this year that could include retirement changes.)

However, there are several provisions in the new law that may have an indirect impact on retirement savings decisions.

Reduced Federal Income Tax Rates Extended Permanently

The reduced federal individual income tax rates, originally enacted in the 2017 Tax Cuts and Job Act, are extended permanently. This will expand the opportunity to do Roth IRA conversions at low brackets for future years.

Estate and Gift Tax

The base federal estate and gift tax exclusions are reset at \$15 million per person, or \$30 million for a married couple with portability. The generation skipping transfer tax (GSTT) also increases to \$15 million, but is not portable.

These rates are effective in 2026 with annual inflation increases for subsequent years.

20% Qualified Business Income Deduction (QBI)

The QBI deduction for self-employed and small business owners is permanent and income limitations have been expanded. Roth conversion planning around this deduction requires walking a fine line on how much to convert, since the conversion income can either increase the QBI deduction (by raising taxable income) or eliminate the deduction (by raising income so much that it exceeds the QBI income limits).

Standard Deduction Increase

For 2025, the standard deduction increases to \$15,750 (from \$15,000) for individuals, and \$31,500 (from \$30,000) for married filing jointly. There are annual inflation increases for subsequent years.

\$6,000 Extra Senior Deduction

There is a new \$6,000 addition to the standard deduction for seniors aged 65 and older for years 2025-2028. This is per person, so a married couple could deduct up to \$12,000 if each spouse is aged 65 or over. This is in addition to the regular standard deduction AND the extra deduction for those aged 65 or blind. This new deduction will also be available to seniors who itemize.

The deduction phases out beginning with modified adjusted gross incomes of \$75,000 for individuals and \$150,000 for married filing jointly (MFJ). It phases out completely at \$175,000 / \$250,000.

Observations:

Married couples who qualify can reap a total deduction in 2025 of **\$46,700**. This equals the standard deduction (\$31,500), plus the extra standard deduction for age 65 or blind ($\$1,600 \times 2 = \$3,200$), plus the new extra senior deduction ($\$6,000 \times 2 = \$12,000$).

Whether Social Security benefits are taxable depends partly on modified AGI. This deduction is not an above-the-line deduction. It lowers taxable income, not AGI. So, it will not reduce or eliminate the taxable amount of Social Security benefits. The deduction reduces taxes on all income, even if there is no Social Security income.

Roth conversions can push clients over these phase-outs. So, this is another factor in the complicated Roth conversion decision-making process.

Taxpayers with income below the \$75,000 / \$150,000 limits will be in relatively low tax brackets, so the potential loss of a \$6,000 deduction at their highest rate of 22% would cost \$1,320 in taxes. In the long run, the Roth conversion might still be worth it.

This provision is just one of the many new tax breaks that come with income limits. Deductible contributions to retirement accounts or Health Savings Accounts (HSAs) as well as Qualified Charitable Distributions (QCDs) can help reduce income.

SALT (State and Local Tax) Deductions for Itemizers

The SALT deduction is increased to \$40,000, effective for 2025-2029, with a 1% increase each year. In addition, some pass-through business owners can work around the \$40,000 limitation and get unlimited SALT deductions.

Marriage penalty:

The \$40,000 deduction is the same for married and single individuals. Two single taxpayers could each qualify for the \$40,000 deduction, depending on income levels.

Income limitations:

The \$40,000 deduction begins phasing out at \$500,000 (for both single and married), and phases out completely at \$600,000, reverting to a maximum \$10,000 deduction. A taxpayer with an income of over \$600,000 would lose \$30,000 of the SALT deduction.

Observations:

These higher SALT deduction levels could allow more taxpayers (especially in high tax states) to itemize their deductions for 2025-2029, since the \$40,000 limit is higher than the current standard deduction for many people. For those who qualify, timing and bunching of other itemized deductions (for years 2025-2029), like charitable contributions, could add to the tax savings, allowing more opportunity to offset taxable Roth conversions.

Contributions to retirement accounts or HSAs or doing QCDs could lower AGI for those nearing the \$500,000 SALT phase-out threshold. Only IRA owners (and beneficiaries) age 70 ½ or older qualify for QCDs.

Reduction of Itemized Deductions for Those in the 37% Tax Bracket – Effective in 2026

Those in the 37% tax bracket who may qualify to itemize will have their itemized deductions reduced by limiting the tax benefit to 35% (instead of the full 37%).

Charitable Deductions for Non-Itemizers – Effective in 2026

Taxpayers taking the standard deduction will now be able to make deductible charitable contributions, up to \$1,000 for individuals and \$2,000 MFJ. Itemized deductions for charitable contributions will be reduced by 0.5% of AGI.

Observations:

This change may adjust the calculus in advising clients whether to take QCDs. The deduction can reduce the tax cost of Roth conversions.

Tax Deduction for Tips - Effective for 2025-2028

Maximum deduction is \$25,000. The same \$25,000 limit applies to both married and single taxpayers.

Income limitations: Phases out when income exceeds \$150,000 for individuals, \$300,000 for MFJ.

Tax Deduction for Overtime - Effective for 2025-2028

Maximum deduction is \$12,500 for individuals / \$25,000 for MFJ.

Income limitations: Phases out when income exceeds \$150,000 for individuals, \$300,000 for MFJ.

Child Tax Credit – Effective 2025

Permanently increases to \$2,200 per child, effective in 2025, and beyond with annual inflation increases.

Income limits remain the same at \$200,000 (individuals), and \$400,000 (MFJ).

Trump Accounts

Effective July 4th, 2026, parents and others can contribute up to a total of \$5,000 per year on behalf of a child. Contributions by employers and nonprofits are also permitted.

Accounts for babies born between January 1, 2025 and December 31, 2028 will be seeded with a one-time government contribution of \$1,000.

2025 Tax Planning (including OBBBA)

Taxable Income Brackets for 2025 Ordinary Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	\$0 - \$23,850	\$0 - \$11,925
12%	\$23,851 - \$96,950	\$11,926 - \$48,475
22%	\$96,951 - \$206,700	\$48,476 - \$103,350
24%	\$206,701 - \$394,600	\$103,351 - \$197,300
32%	\$394,601 - \$501,050	\$197,301 - \$250,525
35%	\$501,051 - \$751,600	\$250,526 - \$626,350
37%*	Over \$751,600	Over \$626,350

* The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income (those with MAGI over the thresholds of \$250,000 joint filers/\$200,000 single filers).

2025 Trust Tax Rates

Ordinary Income Tax	Capital Gain Rates
10% \$0 - \$3,150	0% \$0 - \$3,250
24% \$3,151 - \$11,450	15% \$3,251 - \$15,900
35% \$11,451 - \$15,650	20% Over \$15,900
37% Over \$15,650	

Trust Tax Rates – Distributions from inherited IRAs that exceed **\$15,650** and are made to and retained in discretionary trusts will be subject to the top 37% rate. After the SECURE Act, inherited IRA funds will have to be paid out to most of these trusts under the 10-year rule, accelerating trust taxes. Roth conversions during the IRA owner's life become more valuable if the IRA beneficiary is a trust.

Taxable Income Brackets for 2025 Long Term Capital Gains and Qualified Dividends Tax

Long Term Capital Gains Rate	Married Filing Joint	Single
0%	\$0 - \$96,700	\$0 - \$48,350
15%*	\$96,701 - \$600,050	\$48,351 - \$533,400
20%**	Over \$600,050	Over \$533,400

*The 15% rate is effectively 18.8% for those subject to the 3.8% Medicare surtax on net investment income.

**The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income.

2025 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate, Gift, GST Tax	\$13,990,000	40%

*The estate and gift exemptions are portable. The unused amount can be transferred to a surviving spouse. The GST exemption is NOT portable.

Annual Gift Tax Exclusion \$19,000

Qualified Business Income (QBI) Deduction

20% Deduction Phase-Out Ranges

\$394,600 - \$494,600 - Married Joint

\$197,300 - \$247,300 - Single

Standard Deductions

Married-Joint	Single	Head of Household
\$31,500	\$15,750	\$23,625

Extra Standard Deduction for Age 65 or Blind

\$1,600 (married-joint) \$2,000 (single)

\$6,000 Deduction for Seniors

\$6,000 addition to the standard deduction for seniors aged 65 and older for years 2025-2028. This is per person, so a married couple could deduct up to \$12,000 if each spouse is aged 65 or over. This is in addition to the regular standard deduction AND the extra deduction for those aged 65 or blind. Available to seniors who itemize.

The deduction phases out beginning with modified adjusted gross incomes of \$75,000 for individuals and \$150,000 for married filing jointly. It phases out completely at \$175,000 / \$250,000.

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The \$40,000 deduction begins phasing out at \$500,000 (for both single and married), and phases out completely at \$600,000, reverting to a maximum \$10,000 deduction. A taxpayer with an income of over \$600,000 would lose \$30,000 of the SALT deduction.

Qualified Charitable Distributions

Available only to IRA owners and IRA beneficiaries who are 70½ or older. The annual QCD limit for 2025 is \$108,000 per IRA owner, **not** per IRA account. For 2025, the limit for a QCD to a split interest entity is \$54,000.