

9 Ways the “One Big Beautiful Bill” Could Impact Your Finances

What’s changing—and what it could mean for your money



Agenda

1. Additional \$6,000 Senior Deduction & Social Security Tax Relief
2. Permanent Extension of Tax Cuts and Jobs Act (TCJA) Tax Brackets
3. Estate & Gift Tax Exemption Raised to \$15M
4. State and Local Tax (SALT) Deduction Cap Temporarily Increased
5. Medicare Spending Reductions and Medicaid Eligibility Tightening
6. Auto Loan Interest Deductions
7. Trump Accounts for Newborns
8. Tax Deduction on Overtime and Tips
9. Expanded Flexibility for 529 College Savings Plans



Additional \$6,000 Senior Deduction & Social Security Tax Relief

- **What It Is:**
 - Extra \$6,000 deduction per taxpayer 65+ (\$12,000 joint), 2025–2028, in addition to standard deduction¹
 - Deduction phases out by 6% of MAGI over \$75,000 (single) or \$150,000 (joint)
- **Why It Matters:** May reduce taxes on Social Security for adults 65+, and for many, it may create meaningful tax savings that can be invested for future goals
- **What to discuss with your Financial Professional:** Talk about ways to put tax savings to work, like 529 plans, life insurance, or investing in mutual funds and ETFs

¹ H.R.1 - One Big Beautiful Bill Act, congress.gov, 7/4/25. Applies only if age 65 or older by year-end. Married couples must file jointly to claim both deductions. Phases out for MAGI above \$75,000 (single) / \$150,000 (joint); eliminated at \$175,000 / \$250,000. Temporary provision under OBBBA.

Turning Tax Savings Into \$27,678



Sarah and Bob

- Both age 65
- Married, filing jointly
- MAGI: \$149,000
- Tax bracket: 22%
- Eligible for full senior deduction
- Goal: Save for a grandchild's education

Senior Deduction Opportunity

- \$6,000 each (2025–2028)
- Total deduction: \$12,000/year
- Tax savings: \$2,640/year
- 4 years of savings = \$10,560

Consider

- One option to save for a grandchild's education—invest in a 529 plan
- Let it grow for 18 years at 6% return¹
- Projected future value: \$27,678—tax-free¹

¹ Assumes the couple's annual federal tax savings of \$2,640 is invested at the beginning of each year following the 2025-2028 tax years. Assumes 6% annual growth, tax-free growth within the 529 plan, for each year contributions are made and 14 years thereafter. Distributions may be subject to state/local tax. Future performance is not guaranteed.



Permanent Extension of Tax Cuts and Jobs Act (TCJA) Tax Brackets

- **What It Is:** Keeps lower income tax rates and wider brackets beyond 2025¹
- **Why It Matters:** Preserves favorable conditions for Roth conversions, IRA withdrawals, and capital gains harvesting
- **What to Discuss with your Financial Professional:** Evaluate multi-year tax planning to optimize withdrawals and conversions while rates remain low

¹ H.R.1 - One Big Beautiful Bill Act, congress.gov, 7/4/25

Room for Roth Conversions



Linda

- Age 66
- Single filer
- MAGI: \$130,000
- Tax bracket: 24%
- Stays within the extended TCJA bracket: \$103,350 to \$197,300 (single)¹

Conversion Opportunity

- Converts \$50,000 from traditional IRA to Roth
- Stays in 24% bracket—avoids higher tax tier
- Saves thousands vs. pre-TCJA rates

Why It Matters

- More room in lower brackets means:
 - Tax-efficient Roth conversions
 - Strategic IRA withdrawals
- Capital gains harvesting
- May be valuable for retirees managing income across multiple sources

¹ H.R.1 - One Big Beautiful Bill Act, congress.gov, 2025



Estate & Gift Tax Exemption Raised to \$15M

- **What It Is:** Federal exemption increased to \$15M starting in 2026, indexed for inflation (up from \$13.99 million in 2025)^{1, 2}
- **Why It Matters:** Enables more tax-free wealth transfer for high-net-worth individuals
- **What to Discuss with your Financial Professional:** Review gifting strategies, trusts, and estate plans to maximize use of the expanded exemption

¹ What's new — Estate and gift tax, IRS, 2025

² H.R.1 - One Big Beautiful Bill Act, congress.gov, 7/4/25



State and Local Tax (SALT) Deduction Cap Temporarily Increased

- **What It Is:**
 - SALT cap temporarily raised to \$40K (joint) / \$20K (single) in 2025, increasing 1% annually through 2029, then reverting to \$10K in 2030
 - Income thresholds apply
- **Why It Matters:** Greater deductions for itemizing in high-tax states
- **What to Discuss with your Financial Professional:** If you itemize and pay property taxes, this increased deduction could offer meaningful tax savings. Talk with your tax professional to see if this deduction fits your strategy.

¹ H.R.1 - One Big Beautiful Bill Act, congress.gov, 7/4/25

SALT Deduction Strategy



Raj and Priya

- Married couple living in New Jersey
- Pay \$38,000 in combined property and state income taxes
- Previously capped at \$10,000 for SALT deductions

Expanded SALT Cap = Bigger Deductions

- The SALT cap rises to \$40,000 in 2025, increasing 1% annually through 2029
- In 2026, they itemize and deduct the full \$38,000
- Compared to last year, they deduct \$28,000 more in SALT deductions

Why It Matters

- Expanded SALT cap means bigger deductions for high-tax households
- If Raj and Priya were in the 22% bracket, their extra \$28,000 deduction could save over \$6,000 in federal taxes

For the complete legislative language, please refer to the official version of the H.R. 1 [congress.gov](https://www.congress.gov).



Medicare Spending Reductions and Medicaid Eligibility Tightening

- **What It Is:** \$500B in Medicare cuts through 2034; stricter Medicaid rules may affect eligibility^{1, 2}
- **Why It Matters:** You may face higher healthcare costs or lose coverage
- **What to Discuss with your Financial Professional:** Review long-term care plans, insurance coverage, and eligibility risks

¹ What are the Implications of the 2025 Budget Reconciliation Bill for Hospitals? The Kaiser Family Foundation, 6/12/25

² H.R.1 - One Big Beautiful Bill Act, congress.gov, 7/4/25

Potential Health Plan Impacts



James

- Age 72
- Enrolled in a Medicare Advantage plan
- Concerned about potential benefit reductions due to provider payment cuts

What's Changing

- H.R. 1 includes \$500 billion in Medicare spending reductions through 2034
- Cuts may affect benefits offered by Medicare Advantage plans:
 - Extras like dental and vision
 - Provider networks
 - Out-of-pocket costs

James's Response

- Schedules an annual review with a Medicare professional
- Stays informed about plan changes and alternative options
- Proactively evaluates his coverage and care
- Starts saving more for health care



Auto Loan Interest Deductions

- **What It Is:**
 - Deduct up to \$10,000 in interest on loans for new, US-assembled personal vehicles (with some restrictions)¹
 - Income thresholds apply
- **Why It Matters:** Tax relief for new vehicle purchases—not available for leased vehicles
- **What to Discuss with your Financial Professional:** Check VIN for U.S. assembly (use NHTSA VIN Decoder)
 - Deductions also available for US-assembled ATVs, motorcycles, and RVs

¹ H.R.1 - One Big Beautiful Bill Act, congress.gov, 7/4/25

New Auto Loan Deductions



Maria

- Lives in Pennsylvania
- Buys a new Ford Escape in 2026
- Finances \$35,000 and pays \$2,450 in interest that year

New Deduction Opportunity

- Under OBBA, interest on new, US-assembled vehicles is deductible
- Maria deducts the full \$2,450 on her federal return
- Previous deduction: \$0—this is a brand-new benefit

Why This Matters

- Maria could save \$539 in federal taxes—thanks to the new deduction and her 22% bracket



Trump Accounts

- **What It Is:**
 - A Trump account is an individual retirement account (IRA) (but not a Roth IRA) for individuals under 18 years old
 - The federal government will make a one-time, tax-free \$1,000 contribution to the Trump account of each child born between 2025 and 2028¹
 - Withdrawal, investment, and expense rules apply
 - \$5,000 annual contribution limit for parents (starting 7/4/26)¹
- **Why It Matters:** Potential long-term investing opportunity for children and grandchildren
- **What to Discuss with your Financial Professional:** For those with children under 18, explore advantages of contributing to Trump accounts vs. other tax-advantaged options (e.g., 529 plans)

¹ H.R.1 - One Big Beautiful Bill Act, congress.gov, 7/4/25. The term 'Trump account' means an individual retirement account which is not designated as a Roth IRA; Trump accounts have limited investment options. They may only be invested in mutual funds or exchange-traded funds that track a qualified index, such as the S&P 500. They cannot use leverage. Annual fees cannot exceed 0.1% of the account balance.

Trump Account: A New Way to Jumpstart a Child's Financial Future



Marcus and Dana

- Parents of newborn daughter Sophie
- Suppose Sophie is born Jan. 1 2026—she would then qualify for a Trump Account

“Trump Account” Opportunity

- Available only for babies born between 2025 and 2028
- Sophie receives a \$1,000 government deposit
- Marcus and Dana plan to contribute \$5,000/year beginning on 7/4/26

Why This Matters

- Funds grow tax-deferred
- By age 18, Sophie's account could grow to approximately \$166,654¹
- Withdrawals after age 18 subject to same rules as traditional IRAs
- Options to withdrawal are limited prior to 18

¹ Assumes the \$1,000 government deposit is made on date of the child's birth, 1/1/2026, and annual contributions are made at the beginning of each year until the child turns 18. Assumes 6% annual tax-free growth. Future performance is not guaranteed.



Tax Deduction on Overtime and Tips

- **What It Is:** Deduction for qualified overtime and tips (up to \$12,500/\$25,000)¹
- **Why It Matters:** May reduce taxable income for eligible workers
- **What to Discuss with your Financial Professional:** Track eligible earnings; confirm employer reporting; consider part-time work

¹ H.R.1 - One Big Beautiful Bill Act, congress.gov, 7/4/25

Helping Ethan Keep More of His Paycheck



The Johnson's Grandson Ethan

- Ethan is a college student
- He works part-time as a server and earns \$18,000 in tips in 2026

New Deduction Opportunity

- Under OBBBA, Ethan can deduct the full \$18,000 from his taxable income
- This reduces his federal income tax—even though he doesn't itemize
- Tips still count for payroll taxes, but this deduction lowers his after-tax burden

Why This Matters

- For workers in tipped jobs,¹ this deduction can mean real savings—and a great reason to track earnings carefully

¹ Eligibility definitions are still being finalized by the government; confirm details before filing.



Expanded Flexibility for 529 College Savings Plans

- **What It Is:**
 - Expands K–12 educational expenses beyond tuition
 - Increases K–12 annual expense limit from \$10,000 to \$20,000 per student
 - Allows use of 529 funds for job training programs outside traditional colleges (recognized postsecondary credential program)
 - Permanent ABLE Account Rollovers
- **Why It Matters:** Gives families and lifelong learners more ways to use 529 savings
- **What to Discuss with your Financial Professional:** Explore new 529 plan flexibility to support education goals for you, grandkids, or yourself

H.R.1 - One Big Beautiful Bill Act, [congress.gov](https://www.congress.gov), 7/4/25

529 Plans: Now Covering More Than Just College



Carol and Ed

- Grandparents
- Saved in a 529 plan for their grandson

Jake

- Age 22
- Worked after high school
- Decided to pursue a Commercial Driver's License (CDL)

529 Flexibility Opportunity

- CDL training is now a qualified 529 expense
- Jake uses 529 funds to pay for tuition, fees, books, and testing
- Estimated program cost: \$6,000
- Unused 529 funds can be rolled over to a Roth IRA¹

Why This Matters

- Under old rules, CDL training wouldn't have qualified
- Now, families can support nontraditional career paths
- Even though Jake has decided not to go to college, Carol and Ed are still able to use their savings to support Jake's future

¹ SECURE 2.0 Act of 2022 permits an additional type of qualified distribution for 529 plan assets by allowing limited tax and penalty-free 529 plan rollovers to Roth IRA accounts effective 1/1/2024. In limited circumstances (i.e., there are a lot of requirements that must be met, including that the Roth IRA account must be in the name of the 529 plan beneficiary) Some people may be able to rollover a 529 plan that they have maintained for at least 15 years to a Roth IRA.

Next Step

Talk to your financial professional about how you may benefit from the new provisions in the One Big Beautiful Bill.

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