Big, Yes - but Beautiful?

JUNE 2025

House Passes Sweeping Domestic Policy Bill—Here's How It Could Affect Your Taxes, Estate Plan, and More

On May 22nd, the U.S. House of Representatives narrowly passed a landmark tax and spending bill, referred to by President Trump as the "One Big Beautiful Bill." This extensive legislation combines permanent tax cuts with targeted spending reductions and policy shifts. While intended to stimulate the economy and offer tax relief, it's projected to increase both the national debt and federal deficits over the next decade. The bill now advances to the Senate, where significant revisions are expected.

At its core, the bill would make permanent many provisions from the 2017 Tax Cuts and Jobs Act (TCJA), including lower income tax rates and a higher standard deduction. These measures, originally set to expire in 2025, would now continue indefinitely—although some still sunset between 2028 and 2029.

Individuals over age 65 would benefit from the boosted standard deduction and a new $4,000 deduction if they fall under certain income thresholds. The bill also locks in increased exemptions for the Alternative Minimum Tax (AMT), providing more long-term clarity for many taxpayers.

Additionally, the cap on state and local tax (SALT) deductions would increase from $10,000 to $40,000 for those earning less than $500,000, disproportionately benefiting residents in high-tax states like New York, New Jersey, and California. A helpful article explaining and illustrating this proposed change can be found here.

Families with children stand to gain from an enhanced child tax credit, which rises from $2,000 to $2,500 through 2028. New MAGA (Money Accounts for Growth and Advancement) accounts are also introduced, providing newborns (babies born Jan 1, 2025–Jan 1, 2029) with a $1,000 federal contribution. Parents can contribute up to $5,000 annually, and the accounts offer tax-deferred growth. Funds can be used for education, job training, or a first home purchase after age 18—and for any purpose after age 30—with favorable tax treatment.

"No Tax on Tips?" Well, yes – but not forever. From 2026 to 2028, service workers won't pay tax on tips or overtime pay. Thinking about a new car? The proposed Bill indicates that Interest on loans for American-made cars will also be deductible. These temporary breaks fulfill the President's campaign promises but also add planning uncertainty.

High-net-worth individuals are also affected. The federal estate tax exemption would rise to $15 million per person, adjusted for inflation—shielding more estates from transfer taxes. The exemption is currently $13,990,000 per individual, and that amount is currently scheduled to be cut in half on January 1, 2026 – unless some form of this Bill (or similar legislation) is passed.

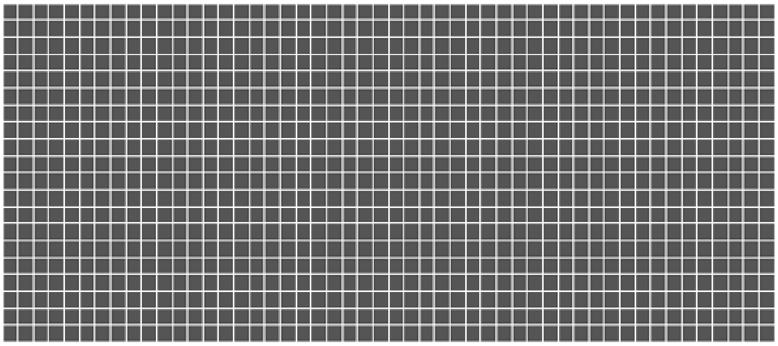
Business owners will see expanded tax benefits, including a jump in the Qualified Business Income (QBI) deduction from 20% to 23%, along with 100% bonus depreciation and full expensing of domestic R&D costs.

Despite major (and somewhat controversial) cuts -- particularly to Medicaid and Supplemental Nutrition Assistance Programs (SNAP) -- the Congressional Budget Office estimates the bill will add $3.8 trillion to deficits over 10 years. To avoid breaching the borrowing limit, the debt ceiling is raised by $4 trillion. This is particularly alarming to the Bill's critics, including a few key Republican lawmakers, who readily point out that the national debt already stands at $36.2 trillion. Our government helps you understand this by providing this visual:

Visualizing the debt - How much is $36 Trillion dollars?

If this is 1 billion:

Then this is 1 trillion:



(1000 squares drawn to scale.)

Today's debt is $36.2 T. That's 36,214 squares!

Source: https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/

As the bill is now with the Senate, those lawmakers have been working on major revisions, particularly to reduce spending and scale back the expanded SALT deduction. With President Trump signaling openness to changes, the coming weeks will be critical as Congress negotiates a final version of the bill. Undoubtedly the House will need to vote again on a modified version of the Bill. President Trump has repeatedly indicated that he wants the Bill on his desk to sign by the 4th of July. In any event, we are confident that the fireworks from both sides of the aisle will be impressive as the GOP continues to push the bill forward.

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