

2025 TAX LAW CHANGES

Wealth Planning | Tax Planning

REVIEW THE NEW LAW

The President signed the One Big Beautiful Bill Act (OBBBA) on July 4, 2025. This new law addresses the expiration of temporary provisions of the Tax Cuts and Jobs Act of 2017 (TCJA), makes changes to other tax laws, and creates some new tax provisions consistent with the President's campaign promises. The result is an extension and/or modification of most expiring tax laws along with some notable new tax breaks. The information below is a summary of some of the most impactful tax provisions for individuals.

This section lists some of the current tax provisions that were scheduled to expire under the TCJA and how they were impacted.

Current Tax Law	New Law	Impact of New Law
Reduced ordinary income tax rates <ul style="list-style-type: none">• 10%, 12%, 22%, 24%, 32%, 35%, 37%	Current law is made permanent.	No change.
Increased standard deduction	Current law is made permanent.	The 2025 standard deduction will increase to \$15,750 (\$31,500 for joint filers)
Personal exemptions are not allowed	Current law is made permanent except for the following temporary exception. Taxpayers aged 65 or older are eligible for a deduction of \$6,000 per person for 2025-2028. This deduction will phase out when income exceeds \$75,000 (\$150,000 for joint filers).	Eligible taxpayers will benefit from this large deduction in addition to their standard or itemized deductions.
State and local tax deduction capped at \$10,000	State and local tax deduction cap increases to \$40,000 in 2025. In 2030, it reverts to \$10,000 permanently. The deduction amount between \$10,000 and \$40,000 is subject to phase-out for income over \$500,000.	This could provide a larger deduction for taxpayers below the income phase-out limit. More taxpayers will be able to itemize deductions rather than use the standard deduction.
Reduced mortgage interest expense deduction; deduction for home equity interest repealed	Current law is made permanent. In addition, mortgage insurance premiums may now be included as mortgage interest expense after 2025.	Taxpayers may receive a larger mortgage interest expense deduction if they are paying mortgage insurance premiums.
No cap on total itemized deductions	A new reduction to overall itemized deductions applies for taxpayers in the 37% tax bracket after 2025.	High-income taxpayers will lose some of their itemized deductions.
Repeal of 2% miscellaneous itemized deductions (investment advisory fees, tax preparation fees, etc.)	Current law is made permanent.	No change.
Increased alternative minimum tax exemptions and phase-out thresholds	Current law is made permanent with some adjustments to the calculation of the phase-out range after 2025.	Most taxpayers will still avoid AMT. However, due to the shortened phase-out calculation, the impact of AMT should still be reviewed annually.
Creation of 20% qualified business income (QBI) deduction	QBI deduction remains at 20% with enhancements to phase-out rules after 2025.	The change to the phase-out rules may result in more deductions for eligible business owners.

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Increased child tax credit and addition of new credit for other dependents	<p>The child tax credit is increased to \$2,200 starting in 2025.</p> <p>The \$500 credit for other dependents is made permanent.</p>	<p>Eligible taxpayers will see additional benefit from this tax credit.</p>
Creation of qualified opportunity funds (QOFs) and deferral of capital gains upon investment <p>Any gains deferred by investment in a QOF prior to 2027 become taxable on December 31, 2026.</p>	<p>The tax provisions have been enhanced to allow for:</p> <ul style="list-style-type: none"> • Designation of new opportunity zones • New five-year deferral periods for capital gains invested after 2026 • A 10% increase to cost basis of new capital gain investments made after 2026 when held more than five years (30% for rural investments) 	<p>Taxpayers who have deferred gains by investing in these funds will still need to prepare for taxation of those gains in 2026.</p> <p>Taxpayers may choose to defer additional gains by making new investments after 2026.</p>
Increased gift/estate exemption	<p>Higher exemption amount is made permanent starting at \$15,000,000 per person in 2026.</p>	<p>No change.</p>
Bonus depreciation percentage is gradually reduced through 2026	<p>100% bonus depreciation is made permanent for property placed in service after January 19, 2025.</p>	<p>Taxpayers will be able to accelerate deductions on eligible purchases of business property.</p>

The following section is a summary of some laws created or reinstated by the OBBBA that will impact individuals.

New Tax Law	Impact of New Law
<p>Interest expense up to \$10,000 would be deductible on loans for eligible personal use vehicles purchased from 2025-2028.</p> <p>The deduction would phase out for income over \$100,000 (\$200,000 for joint filers).</p>	<p>Taxpayers may temporarily deduct eligible car loan interest, even if they do not itemize their deductions.</p>
<p>Tip income up to \$25,000 may be excluded from income for 2025-2028.</p> <p>The deduction would phase out for income over \$150,000 (\$300,000 for joint filers).</p>	<p>Taxpayers may be temporarily eligible to deduct a limited amount of tip income, even if they do not itemize their deductions.</p>
<p>Overtime pay up to \$12,500 (25,000 for joint filers) may be excluded from income for 2025-2028.</p> <p>The deduction would phase out for income over \$150,000 (\$300,000 for joint filers).</p>	<p>Taxpayers may be temporarily eligible to deduct a limited amount of overtime pay, even if they do not itemize their deductions.</p>
<p>Charitable deductions are reinstated for non-itemizers up to \$1,000 (\$2,000 for joint filers) after 2025. Contributions must be made in cash to eligible organizations.</p>	<p>Taxpayers who claim the standard deduction may receive additional tax benefits for eligible charitable contributions up to the allowed limit.</p>
<p>Charitable deductions for itemizers are allowed only to the extent they exceed 0.5% of income after 2025.</p>	<p>Taxpayers who itemize will reduce their allowed charitable contribution deduction by 0.5% of their income, thereby reducing the tax benefits for their charitable gifts.</p> <p>This reduction applies before the new reduction on overall itemized deductions for high-income taxpayers.</p>
<p>“Trump accounts” may start to receive contributions 12 months after date of enactment.</p> <ul style="list-style-type: none"> • Contributions are not deductible, are limited to \$5,000 per year, and are allowed only for calendar years ending before the eligible beneficiary reaches age 18. • Account assets may be withdrawn in or after the year the beneficiary reaches age 18. 	<p>Taxpayers may consider this new option for setting aside funds for children on a tax-deferred basis.</p>

The definition of qualified expenses for 529 plans is expanded to include:

- K-12 books, materials, tutoring, certain testing or exam fees, and educational therapies; effective for distributions after date of enactment
- The annual limit for K-12 expenses increases from \$10,000 to \$20,000 after 2025
- Expenses related to obtaining or maintaining recognized postsecondary credentials including tuition, fees, books, supplies, and equipment; effective for distributions after date of enactment

With an expansion of qualified education expenses, taxpayers may consider increasing their contributions to 529 plans to take advantage of the tax-deferred growth and potential for tax-free distributions.

Enhancements to the gain exclusion rules for sale of Qualified Small Business Stock (QSBS):

- 50% of gain may be excluded if QSBS is held more than three years.
- 75% of gain may be excluded if QSBS is held more than four years.
- The 100% exclusion still applies for QSBS held more than five years.
- The \$10,000,000 gain exclusion limit increases to \$15,000,000.
- The eligible asset limit increases from \$50 million to \$75 million.

Small business owners may consider structuring their business as a C Corporation if they may want to take advantage of the QSBS gain exclusion rules upon sale.

EVALUATE OPPORTUNITIES IN THE NEW LAW

Your personal tax situation will determine which of these new provisions you need to focus on. For many taxpayers, there may be little change between 2025 and 2026. However, it will be important for others to determine whether the new law provides an opportunity for tax savings before 2026. There is a short amount of time left in the year to act. Work with your team of professionals now to develop strategies that will help you prepare for the impact of the new law. Here are some of the strategies you may consider.

Charitable Giving Strategies

With the higher standard deduction amount continuing, it will be important to review your charitable giving methods. If you are no longer itemizing deductions, you are not getting a tax benefit for a charitable contribution deduction in 2025. You may want to explore gifting from your IRA if you are over 70 ½, or evaluate a bunching strategy paired with a donor-advised fund contribution. Gifting appreciated securities instead of cash can also provide additional tax benefits while meeting your charitable goals. Your Stifel Financial Advisor can walk you through these strategies to help you determine which makes sense for your situation.

Timing of Income and Deductions

If you are eligible for some of the new or expanded deductions listed above, they may reduce your income in your current tax bracket or shift you into a lower tax bracket. If so, you may want to consider whether or not this is an opportunity to include more income at your current rate (fill up your bracket) or possibly at a lower rate. For example, this may be an opportunity to complete a Roth conversion, exercise employer stock options, or recognize additional capital gains. Estimating your income and deductions before year-end will help you determine any actions to take so that you don't miss an opportunity for tax savings.

For more information on how tax law changes may impact you, contact your Financial Advisor at Stifel or a tax professional.

Stifel does not provide legal or tax advice. You should consult with your legal and tax advisors regarding your particular situation.