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# Financial News

3RD QUARTER 2025

## One Big Beautiful Bill Act Tax Changes

The One Big Beautiful Bill Act: Key Tax Changes Starting 2025

### EVERYONE

Standard deduction increases to \$15,750 for single filers, and \$31,500 for those filing jointly. State and local tax (SALT) deduction increases to \$40,000 (temporary)

### SENIORS (65+)

\$6,000 bonus deduction (2025-2028)

### WORKERS

No tax on tips (up to \$25,000) No tax on overtime (up to \$12,500 single filer/\$25,000 married filing jointly)

### BUSINESS OWNERS

20 percent qualified business income deduction is now permanent 100 percent capital expensing restored

### FAMILIES

Child tax credit increases to \$2,200 Dependent care limits increase to \$7,500

### ESTATE MANAGEMENT

Exemption increases to \$15 million/\$30 million (starts 2026)

### IMPORTANT:

Some of these changes are temporary (2025-2028). Consult a tax professional for your specific situation.

Current Law	New Law	Perspective
<b>Standard Deduction</b>		
\$15,000 single; \$30,000 married filing jointly	\$15,750 single; \$31,500 married filing jointly	Both start in 2025. Slight change as part of new legislation.
<b>State and Local Tax Deduction (SALT)</b>		
\$10,000 limit	\$40,000 limit; increases 1 percent through 2029, then reverts to \$10,000 in 2030.	This may be a change for some as they prepare their 2025 taxes.
<b>"Bonus" Deduction for Older Adults</b>		
\$1,600 for ages 65 and older; \$2,000 unmarried / non surviving spouse.	A bonus deduction that has phaseout limits.	Both changes start in 2025 and end in 2028. New changes may present some opportunities to manage retirement income.
<b>Estate and Gift Tax Exemption</b>		
\$13.99 million for single and \$27.98 million for married filing jointly	\$15 million for single and \$30 million for married filing jointly	The new level starts in 2026, not 2025!
<b>Charitable Deduction for Non-Itemizers</b>		
N/A after 2021	\$1,000 single and \$2,000 married filing jointly	This new level is permanent and starts in 2026.

## ***Rah-Rah-Rah, Sis-Boom-Basics of College Funding***

Heading off to college is an exciting time for your child but covering education expenses can be pretty painful. With the proper financial planning, you could be whistling your child's college fight song all the way to the bank!

With Americans marrying later in life and waiting to have children, parents may face making tuition payments while simultaneously trying to save for retirement. This problem is best addressed by starting your college savings plan EARLY! Here are a few options to consider:

**Scholarships, Grants, and Aid.** Financial aid can include loans, scholarships, grants, and work-study programs. Even if your student isn't at the top level of their class, opportunities may be available for financial aid. A student can be awarded grants or scholarships based on financial need, academic standing, extra-curricular activities, and even civic involvement. Always fill out the financial aid application, even if you believe your income is too high to receive aid.

**529s.** These college savings accounts are available in every state. 529s allow you to contribute to an investment account in the child's name and then make tax-free withdrawals for qualified educational expenses. Plans and investment options vary widely, so consult with your financial professional for more information. There may also be potential state income tax or other benefits to offer that should be considered.

**IRA Withdrawals.** You can make penalty-free withdrawals from an existing IRA account for qualified educational costs. However, there are contribution and withdrawal limits, and not everyone can qualify for an IRA. Withdrawals also reduce the assets growing tax-deferred in the IRA and could seriously impact your retirement goals.

**Coverdell Accounts.** If grandparents wish to contribute to an account, you may want to consider a Coverdell Savings Account. A Coverdell allows anyone with a modified adjusted gross income of less than \$110,000 a year (single) or \$220,000 joint (married, filing jointly) to make yearly contributions of up to \$2,000 for the benefit of a minor. Once the student turns 18, they have until their 30th birthday to withdraw the money for educational use.

The variety of options and plans available for college planning can seem overwhelming, and these are just a few ideas. Ready to talk through your options? Schedule some time with our office to discuss how to balance your child's education and your retirement.

**DISCLOSURE:** A 529 plan is a college savings plan that allows individuals to save for college on a tax-advantaged basis. Every state offers at least one 529 plan. Before buying a 529 plan, you should inquire about the particular plan and its fees and expenses. You should also consider that certain states offer tax benefits and fee savings to in-state residents. Whether a state tax deduction and/or application fee savings are available depends on your state of residence. For tax advice, consult your tax professional. Non-qualifying distribution earnings are taxable and subject to a 10% tax penalty.



## *Auto Loan Interest Deduction Returns for Qualifying Buyers*

A new provision in the recently signed One Big Beautiful Bill is restoring a tax deduction for certain car buyers—but with limits. Here's what's changing:

- Buyers can deduct up to \$10,000 in auto loan interest each year (2025–2028)
- Applies only to new, U.S.-assembled light vehicles purchased for personal use
- Used vehicles and leases do not qualify
- The deduction is available even for those taking the standard deduction
- Income caps apply: phased out above \$150K (single) or \$250K (joint)

This could affect an estimated 3.5 million vehicle loans this year. But the benefit won't apply to every buyer, especially those with higher incomes or leasing preferences.



## *Fed Holds Rates Steady Amid Internal Division*

The Federal Reserve held its benchmark interest rate steady at 4.25%–4.5% following a 9–2 vote by the Federal Open Market Committee. While two governors dissented—citing softening labor market signals—the majority emphasized the need for more data before considering a rate cut. The Fed's latest statement highlighted:

- ♦ A slight moderation in economic growth during the first half of the year
- ♦ Continued low unemployment and stable labor market conditions
- ♦ Inflation that remains somewhat elevated, though cooling Fed Chair Jerome Powell stated that no decision has been made about the September meeting, and that future moves will depend on evolving economic data.

With interest rates holding steady, borrowing costs across the economy remain unchanged for now. Keep an eye on the data ahead of the Fed's annual Jackson Hole gathering in August.



## KAREN'S & BRUCE'S NOTES

We hope this newsletter finds you well as the summer is already winding down and children are preparing to return to school. We are sending this quarterly update to provide our continued perspective on the stock market and economic situation. The market retreat which occurred in March and April has been followed by an excellent May, June, and July with the markets reaching new all-time highs. Earlier concerns about trade tariffs and the potential impact of higher inflation have eased as deals have been reached with many of our trading partners. Also, positive news over the past few weeks concerning China and the USA potentially reaching a trade deal provided significant relief. Given continued good results on the trade tariff front, we still feel optimistic looking towards the remainder of the year. The Federal Reserve Board did not lower interest rates at their most-recent meeting which is what most had expected. However, there is still hope that they will lower rates later this year to help maintain modest economic growth while keeping inflation under control. Although there is a good chance for a market pull-back in September and/or October which often happens, we expect an eventual upward market trend to continue especially if the Federal Reserve Board does again start to lower rates. Lower rates make borrowing more cost-effective which helps everyone and tends to stimulate business. Additionally, as stated in our last newsletter, a Republican controlled House and Senate, which we now have, tends to be pro-business and tends to be good for the markets.

As always, we thank you for your continued trust and confidence and encourage you to call or email us with any concerns or questions. We appreciate the opportunity to work with you.

*Bruce*

*Karen*

Resources:

