

After years of uncertainty over expiring tax provisions within the Tax Cuts and Jobs Act of 2017 (TCJA), the [One Big Beautiful Bill Act \(OBBBA\)](#) brings long-awaited clarity—and notable changes—for all taxpayers.

"Most taxpayers will feel relief from provisions in the bill," says [Hayden Adams](#), CPA, CFP[®], director of tax and wealth management at the Schwab Center for Financial Research. "However, those in the highest bracket could see a slight increase in their tax liability going forward."

While not an exhaustive list, these are the most significant changes—and what they could mean for you.

Tax rates and exemptions (permanent)

The lower tax rates and brackets created by the TCJA were set to sunset at the end of 2025—but the OBBBA made the amounts permanent. "Without the legislation, taxes would have increased for almost all taxpayers in 2026," Hayden says. In addition:

- **The [estate and gift tax exemption](#)** of \$13.99 million per person in 2025, which was scheduled to be halved at the end of this year, will increase to \$15 million per person in 2026 (indexed to inflation thereafter). "Even if the exemption had been cut in half next year, only a small fraction of households would have been subject to the estate tax," Hayden says. "At this point, it's fair to say the estate tax has effectively ceased to be a concern for the vast majority of Americans."
- **The [child tax credit](#)** also has increased—from \$2,000 to \$2,200, effective in 2025 and indexed to inflation thereafter. However, the credit still phases out for incomes exceeding \$200,000 for single filers and \$400,000 for joint filers, reducing the benefit by \$50 for each \$1,000 of income above those thresholds.

Standard deductions (permanent)

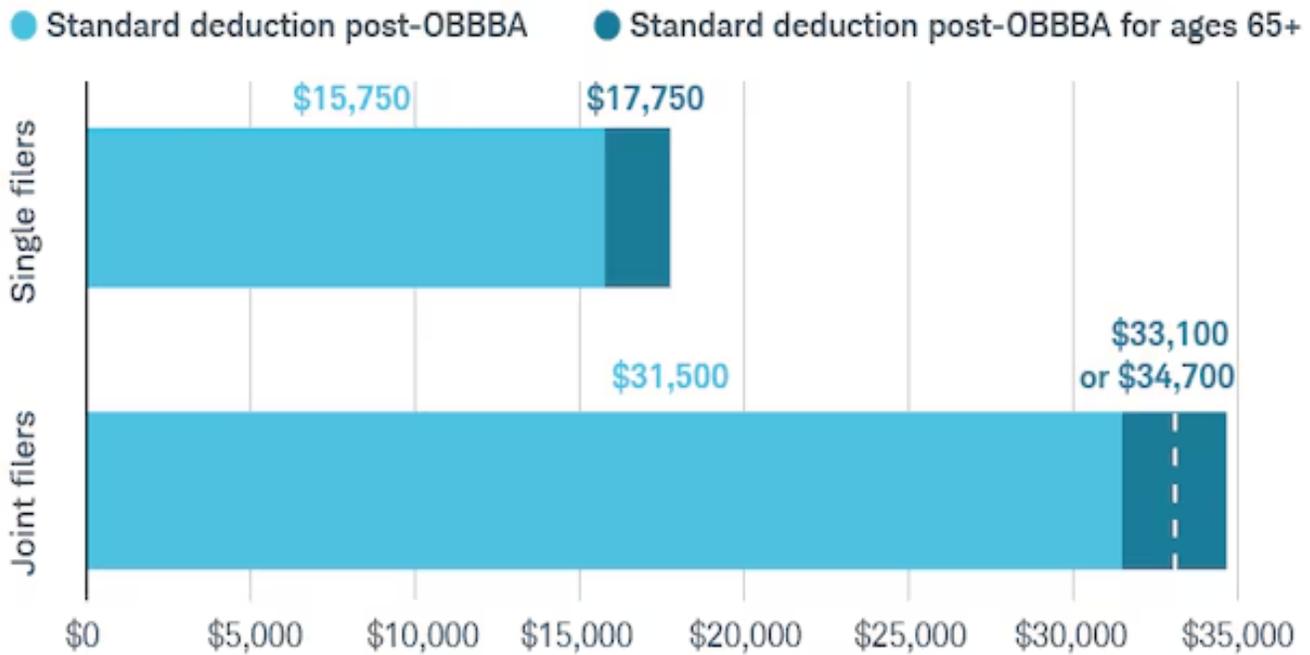
"The [standard deduction](#) was set to revert to its lower pre-TCJA level in 2026, which would have amounted to a roughly 50% cut in the deduction," Hayden says.

The OBBBA stopped that from happening by making the higher standard deduction permanent; it also slightly increased the 2025 deduction to \$15,750 for single filers (a \$750 increase) and \$31,500 for joint filers (a \$1,500 increase).

The standard deduction is even higher for taxpayers ages 65 and older, who can deduct an additional \$2,000 if a single filer or \$1,600 per eligible spouse if married filing jointly starting in 2025.

The new standard deductions

Single and joint filers alike will benefit from higher standard deductions beginning with the 2025 tax year.



Senior deduction (temporary)

From 2025 through 2028, taxpayers ages 65 and older can claim an additional deduction of \$6,000 (\$12,000 for married couples if both spouses qualify) whether they itemize or not. However, the deduction phases out for those whose modified adjusted gross income (MAGI) exceeds \$75,000 for single filers and \$150,000 for joint filers (see "Not for everyone").

Once taxpayers are over the income limits, the deduction gradually is reduced by 6 cents for every dollar until the taxpayer's MAGI reaches \$175,000 for single filers or \$250,000 for joint filers, at which point the deduction is eliminated altogether.

"This special deduction was designed to offset the taxes seniors pay on their Social Security benefits," says [Mike Townsend](#), managing director of legislative and regulatory affairs at Schwab. "However, higher-income earners are unlikely to see much benefit from this temporary deduction."

Not for everyone

A new tax deduction gives older Americans a financial break—but the benefit shrinks as income rises.

Single filers ages 65 and older

MAGI	Allowable deduction
\$75,000 or less	\$6,000
\$100,000	\$4,500
\$125,000	\$3,000
\$150,000	\$1,500
\$175,000+	\$0

Joint filers (both spouses ages 65 and older)

MAGI	Allowable deduction
\$150,000 or less	\$12,000
\$175,000	\$9,000
\$200,000	\$6,000
\$225,000	\$3,000
\$250,000+	\$0

Source:

[irs.gov](https://www.irs.gov).

Deduction phases out by 6% of excess MAGI. For spouses where both qualify, each \$6,000 deduction is reduced by 6% of the excess. For illustrative purposes only.

Itemized deductions (permanent)

Starting in 2026, taxpayers in the 37% tax bracket will have a limit applied to their itemized deductions, regardless of the deduction's category—meaning charitable giving, mortgage interest, and [state and local tax \(SALT\)](#) could all be affected. "In simplest terms, the new limitation—typically referred to as the 2/37 rule—caps the maximum you may deduct at 35 cents for every dollar of itemized deductions," Hayden says.

For example, let's say a married couple has \$970,000 of taxable income, which easily puts them in the 37% tax bracket. If they had \$100,000 in itemized deductions, that entire deduction would be limited to \$35,000 in 2026, rather than \$37,000 under the old rules.

"The 2/37 rule replaces the old Pease limitation, which aimed to reduce itemized deductions for high-income taxpayers but wound up affecting more middle-income households over the years," Hayden says. "Now, middle-income households shouldn't see their itemized deductions reduced, assuming the alternative minimum tax [AMT] doesn't impact them."

SALT deduction (temporary)

Starting in 2025, the amount of state and local tax you can deduct rises from \$10,000 to \$40,000—and will increase 1% annually until 2029, before reverting to \$10,000 unless Congress extends it. However, taxpayers whose MAGI exceeds \$500,000—whether single *or* married filing jointly—will see their deduction reduced by 30% of their excess MAGI *or* \$10,000, whichever is greater.

For example, if a couple's MAGI is \$550,000, their SALT deduction would reduce by \$15,000 (\$50,000 in excess MAGI \times 30%), for a total SALT deduction of \$25,000.

"The increased SALT deduction may be trickier to extend after 2029 because it has a smaller constituency than many of the other changes," Mike says. "But for now, residents of high SALT states can breathe a sigh of relief."

Charitable giving (permanent)

Several provisions will affect the [deductibility of charitable donations](#) beginning in 2026:

- **Above-the-line deduction:** Taxpayers who do not itemize can deduct up to \$1,000 if a single filer and up to \$2,000 if married filing jointly, so long as the donations are made in cash and go to an operating charitable organization—which means contributions to a [private foundation](#) or a donor-advised fund do not qualify.
- **Deduction floor:** For those who do itemize, only donations that exceed 0.5% of a taxpayer's adjusted gross income (AGI)—their total income minus certain adjustments—are deductible. If a couple's AGI is \$300,000, for example, they can deduct any contributions in excess of \$1,500 ($\$300,000 \times 0.5\%$). Therefore, if their charitable donations for the year total \$10,000, they can deduct \$8,500 ($\$10,000 - \$1,500$). "While most affluent donors will easily surpass the threshold, it does slightly reduce the tax benefit of giving for itemizers," Hayden says.

- **Limits on cash:** The OBBBA also makes permanent the increased cash donation limit of 60% of a taxpayer's AGI, including donations to a donor-advised fund.

"Although some high-dollar donors may lose out on deductions, the expansion of eligibility to those who don't itemize means many more people will be incentivized to give, which has the potential to increase overall charitable donations," Hayden says.

Alternative minimum tax (permanent)

The AMT, enacted in 1969, requires high-income taxpayers to calculate their tax liability twice—first under normal income tax rules, then under [AMT rules](#)—and pay whichever is higher.

Over time, however, an increasing number of middle-income households fell prey to the AMT—which the TCJA helped remedy by significantly increasing the AMT exemption, as well as the income limit at which the exemption phases out. Not only did the OBBBA make permanent these changes, which were set to expire at the end of 2025, but it also introduced some changes of its own, including:

- A slightly lower income phaseout limit.
- An increased phaseout rate for higher-income taxpayers from 25% to 50%, meaning the exemption will diminish twice as fast once a taxpayer's income surpasses the phaseout level.

"Together, these provisions could expose more taxpayers to the AMT than under the TCJA," Hayden says, "but the vast majority of people will remain unaffected." Indeed, the AMT should affect only those whose annual incomes exceed \$500,000 *and* who have outsize tax deductions, or who have significant amounts of certain types of income, such as incentive stock options or tax-exempt income from private activity bonds.

AMT over the years

The tax, which once affected middle-income households, is less likely to do so going forward.

Single filers	Pre-TCJA (AMT in 2017)	Under TCJA (AMT in 2025)	Under OBBBA (AMT in 2026)
AMT exemption	\$54,300	\$88,100	\$90,300*
Phaseout income level	\$120,700	\$626,350	\$500,000

Joint filers	Pre-TCJA (AMT in 2017)	Under TCJA (AMT in 2025)	Under OBBBA (AMT in 2026)
AMT exemption	\$84,500	\$137,000	\$140,400*
Phaseout income level	\$160,900	\$1,252,700	\$1,000,000

Source:

irs.gov.

For illustrative purposes only.

*As of 09/29/2025, the IRS had not released the 2026 inflation-adjusted exemption amounts. Estimated amount above assumes inflation rate of 2.5% rounded to the nearest hundred dollars.

Clean energy credits (expired)

Important rollbacks of clean energy tax credits include:

- **Clean vehicle credit:** \$4,000 for a used electric vehicle (EV)—and \$7,500 for a new one—ended 09/30/2025.
- **Energy-efficient home improvement credit:** Up to \$1,200 for energy-efficient upgrades—including doors, insulation, and windows—ends 12/31/2025.
- **Residential clean energy credit:** Up to 30% of the cost of fuel cells, geothermal pumps, solar panels, and wind turbines—ends 12/31/2025.
- **Alternative fuel vehicle refueling property credit:** Up to \$1,000 for charging equipment installed at home—ends 06/30/2026.

"Although we generally don't recommend making home improvements or purchases just to get a tax credit, if you already have plans for a qualifying upgrade, now may be the time to act," Hayden says. That said, there are [limits on the deductions](#)—such as purchase price and income level—so be sure to check the rules before you buy.

Broader implications

To pay for the bill, the Congressional Budget Office estimates another \$3.4 trillion will be added to the national debt over the next 10 years. "For bond investors, that means a big increase in issuance

at a time when we're already at record levels," says [Kathy Jones](#), Schwab's chief fixed income strategist. "That may not send yields sharply higher, since the increase was largely expected, but it may keep them from coming down."

What's more, cuts to federal spending will potentially weigh on companies and slow growth. "It's unclear what will weigh more heavily—an increase in the debt or a potential slowdown in growth," Kathy says, "but neither sounds good."

As a result, Schwab suggests investors keep their average duration the same as the aggregate bond index—i.e., six years or less—and focus on investment-grade bonds. "[You may also want to look abroad](#), to non-U.S. dollar denominated debt, to help insulate your portfolio from any volatility in the U.S. bond market," Kathy says.