July 2025

# Cherry Tree Wealth Management

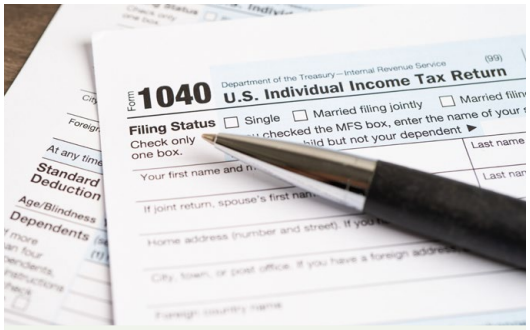
**CHERRY TREE WEALTH INSIGHTS:** Published by Keith Tufte, Investment Advisor at Cherry Tree Wealth Management, LLC, with insights on investing and wealth management.

## ONE BIG BEAUTIFUL BILL (BBB) TAX CHANGE HIGHLIGHTS

*Tax changes that could affect your personal taxes*

The primary tax benefit of the One Big Beautiful Bill (BBB) is that it extends many of the key tax cuts from 2017 that were scheduled to expire on December 31, 2025. It makes most of those tax cuts permanent. The primary benefit of the BBB is really the lack of a large tax increase in January of 2026, rather than a significant tax "cut" compared to recent (2024-2025) tax rates and tax brackets.

**Tax Rates and Tax Brackets.** These will remain largely as they have been, with upward adjustments for inflation. The standard deduction was increased for 2025 by the BBB from $15,000 to $15,750 for single filers and from $30,000 to $31,500 for couples.




*The primary tax benefit of the One Big Beautiful Bill (BBB) is that it extends many of the key tax cuts from 2017 that were scheduled to expire on December 31, 2025. It makes most of those tax cuts permanent. The primary benefit of the BBB is really the lack of a large tax increase in January of 2026, rather than a significant tax "cut" compared to recent (2024-2025) tax rates and tax brackets.*

### NEW BBB TAX CHANGES THAT ARE EFFECTIVE IN 2025:

**State and Local Tax (SALT) deduction expansion.** The new tax law expands the Schedule A itemized SALT tax deduction from $10K to as much as $40K per tax return (not per taxpayer). This applies to taxpayers with MAGI (Modified Adjusted Gross Income) income up to $500,000. MAGI income is your taxable income (with some adjustments) before the standard deduction or itemized deductions. The provision phases down to the old $10K tax deduction limit when your income gets to $600,000 or more. This provision will likely benefit upper middle-income families from high-tax states, especially those who have high mortgage interest, charitable donations, and/or medical costs.

**Extra $6,000 Tax Deduction for Those Age 65+.** This is the "No tax on Social Security" provision which is actually totally different than not taxing Social Security. This is an extra tax deduction on top of the normal standard deduction for each person with incomes (MAGI) below $75K single and $150K joint/couple. This benefit phases out when incomes go above $175K single and $250K couple/joint. If both people who are filing jointly qualify (age 65+, income below the limit) their total extra tax deduction will be $12,000 which is significant. This extra deduction applies to those using the standard deduction or itemizers. Seniors age 65+ already get an extra "standard" tax deduction of $2K single or $1,600 each/$3,200 total for a couple, and these smaller extra tax deduction are not income dependent.

Continued >>

**No Taxes on Tips.** This provision allows a federal income tax deduction of up to $25K for single filers with incomes up to $150K and couples with incomes up to $300K before phasing out. This only counts for reported tips. Payroll taxes (Social Security/Medicare) still apply on this income.

**No Taxes on Overtime.** This allows a deduction of up to $12,500 for single filers with incomes up to $150K and a deduction of up to $25,000 for couples with incomes up to $300K for qualified overtime pay. Overtime must be separately reported, and the tax deduction only applies to the extra pay for overtime (above normal pay). For example, if normal pay is $16/hour and overtime pay is $24/hour, only the extra $8/hour (not the total $24/hour) would count towards this deduction. This deduction only applies for work above 40 hours/week, and payroll taxes still apply to this income.

**No Tax On Car Loans.** The new law allows a deduction of up to $10,000 of interest on loans to purchase new passenger cars. This applies to new cars purchased in 2025-2028 with final assembly in the USA. Incomes must be below $100K single and $200K joint to qualify. This is an "above the line" deduction that works for those taking the standard deduction or itemizers.

## NEW BBB TAX CHANGES THAT ARE EFFECTIVE IN 2026:

**Charitable Donations.** Donors who take the standard deduction will be allowed (in 2026 and beyond) to deduct $1,000 (single) or $2,000 (joint filers). Donors who itemize their income taxes in 2026 and beyond will not be allowed to deduct the first 0.5% of their income (MAGI) in their tax returns. Only charitable contributions above that limit will be deductible. Thus, donors who have an income of $300,000 (MAGI) will get no tax deduction for the first $1,500 of charitable donations on Schedule A (itemized deductions).

**Estate Taxes.** The new law sets a permanent base exemption amount of $15 million per person starting in 2026, with inflation adjustments after that. This exemption amount is per person, so a wealthy couple actually has $30 million in federal estate tax exemption. The previous/current law has a federal estate tax exemption amount of about $14 million per person in 2025, but that was set to drop to about $7 million per person in 2026 without any new legislation. The annual gifting limit remains at $19,000 (to as many people as you wish) for 2025 and is expected to continue to be increased gradually each year with inflation.

**Note:** There are many other smaller provisions in this tax bill that will affect some people's personal tax returns. This note only addresses some of the tax changes that will have wide impact. There are also many BBB tax law changes that will affect businesses that this note is not addressing. See a tax professional for more detailed advice on how these BBB tax law changes may affect you and/or your business.

Cherry Tree Wealth Management, LLC (CTW) provides unique wealth management services for a select group of client families to help give them peace of mind. Author Keith Tufte, has over 25 years of successful investment management experience as a Wall Street Analyst, Mutual Fund Portfolio Manager, Director of Equity Research for a major mutual fund firm, Hedge Fund Portfolio Manager, and Wealth Management Advisor. Please FORWARD this e-mail to friends/relatives/business associates that you think may have an interest. Please see our website at http://www.cherrytree.com.

CHERRY TREE WEALTH MANAGEMENT, LLC
Keith N Tufte, CFA, MBA • ktufte@cherrytree.com • Cell (952) 465-1785 • Office (952) 253-6006

Cherry Tree
WEALTH MANAGEMENT

*Legal Disclaimer: These materials do not constitute an offer or recommendation to buy or sell any securities or instruments or to participate in any particular investment or trading strategy. They are for informational purposes only. CTW gathers its data from sources it considers reliable. However, CTW makes no express or implied warranties regarding the accuracy of this information or any opinions expressed by the author and may update or change them without prior notification.*