

# WHAT THE “BIG, BEAUTIFUL BILL” MEANS FOR YOU

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The nearly 900-page Republican spending and tax bill, or so-called “big, beautiful bill”, is now law after President Trump signed it on Friday, July 4. Broadly, the law makes Trump’s 2017 tax cuts permanent, extending current income-tax rates. It also adds some new breaks while making cuts to federal healthcare coverage, food-aid, and student loan programs.

## Changes Affecting Certain Individuals

On average, according to a Tax Policy Center analysis, households could see about a \$2,900 reduction in their federal tax burden in 2026. That will vary widely based on your income, however. Following is a summary of what the new law could mean for your finances.

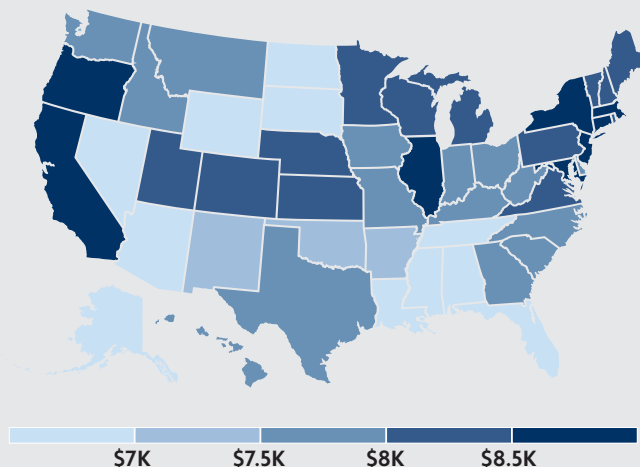
## If You Live in a High-Tax State

The law raises the maximum Schedule A deduction for state-and-local tax (SALT) from \$10,000 to \$40,000, though the maximum deduction begins phasing down once income crosses \$500,000. The income threshold also increases 1% every year through 2029 before reverting to \$10,000 in 2030.

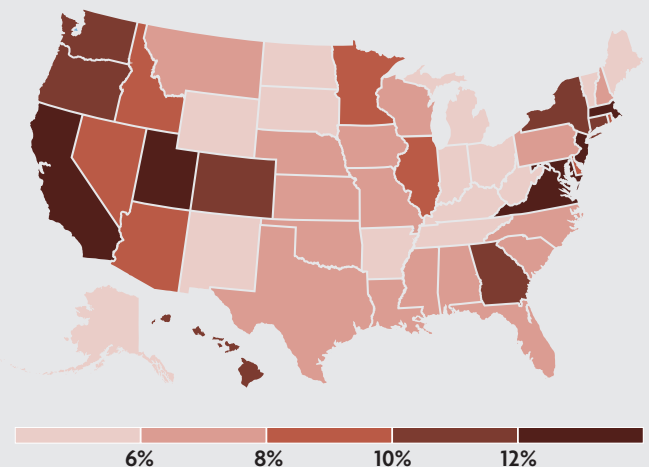
Filers who will benefit from this change should evaluate the timing of other Schedule A items such as charitable contributions to maximize benefits. Those facing the \$500,000 threshold might want to lower modified adjusted gross income, say by making donations through IRA charitable distributions if possible.

## STATE AND LOCAL TAX DEDUCTIONS IN 2022

### Average Salt Deduction



### Share of Filers Claiming Salt



Note: 2022 is the most recent year for which tax data is available  
Source: Bipartisan Policy Center analysis of IRS data

## If You Give to Charity

The new law has three key changes to the tax treatment of charitable donations. Starting next year, donors will be allowed to deduct \$1,000 (single filers) and \$2,000 (joint filers) if they do not itemize on Schedule A.

Secondly, a new limit on charitable donations for itemizers will take effect next year. It disallows a portion of the deduction equal to 0.5% of a filer's modified adjusted gross income (MAGI). So, a filer with \$300,000 of MAGI would get no deduction for the first \$1,500 of charitable donations on Schedule A. Givers who want to avoid it should consider accelerating donations into 2025.

Finally, a tax credit for private school scholarships will be granted under the legislation. Starting in 2027, individuals can receive a tax credit for donations they make to qualifying nonprofits awarding scholarships for K-12 students to attend private schools. School voucher fund donors can claim a 100% credit on those donations, up to \$1,700.

States and districts can choose whether to adopt the program, which experts say could tee up battles over school choice. Currently, 30 states and Washington, D.C. have at least one private school choice program, according to an Education Week analysis. Among other qualifiers, the scholarship-granting institution must fund awards for eligible students within the state. Students with family income not more than 300% of their area's median gross income would be eligible for the scholarships.

## If You Are a Parent

Starting next year, the law raises the child tax credit to \$2,200 from \$2,000, indexes it for inflation, and extends it permanently. The credit is for families who have qualifying children under age 17 with a valid Social Security number. The higher refundable portion of the child tax credit – known as the additional child tax credit – will also become permanent and adjust for inflation and is worth up to \$1,700 for 2025.

It also creates new “Trump Accounts” for children born between 2025 and 2028 who are U.S. citizens, with a one-time government contribution of \$1,000 to invest on the child's behalf. Families can contribute up to \$5,000 a year, and the balance will be invested in a diversified fund that tracks a U.S. stock index. Employers could also contribute up to \$2,500 to an employee's account and it would not be counted as income to the recipient. Earnings grow tax-deferred, and qualified withdrawals are taxed as long-term capital gains. The funds can then be withdrawn in adulthood.

For parents of undergraduate students, the legislation caps the Parent Plus student loan program. It sets a new \$20,000 a year per-student borrowing limit and a lifetime limit of \$65,000 per student. Parent Plus loans are no longer eligible for income-driven repayment programs after July 1, 2026.

Finally, for 529 education-savings plans, the legislation expands tax-free withdrawals from these popular accounts to include more K-12 expenses, plus expenses for certifications and licenses such as HVAC work. This expansion takes effect in 2026.

## If You Are a Student

Key changes are in store for student loan borrowers. Starting July 1, 2026, the measure eliminates the Grad Plus program that lets graduate students borrow as much as the cost of attendance minus any federal aid and places limits on how much people can borrow from the federal government to pay for education. Specifically, it caps unsubsidized student loans at \$20,500 per year and \$100,000 for a lifetime. For graduate students, it caps professional degrees such as in the medical or legal field at \$50,000 per year and \$200,000 for a lifetime. It also adds a lifetime borrowing limit for all federal student loans of \$257,000.

The law also eliminates current income-contingent repayment plans for student loans paid out after July 1, 2026. It replaces them with two new options: a standard repayment plan, where borrowers pay a fixed amount every month over 10 to 25 years; or the Repayment Assistance Plan (RAP), which would tie payments to the borrower's adjusted gross income with a payment term of 30 years. The chart below illustrates what the estimated monthly student loan payment would be under the RAP.

The legislation also eliminates the unemployment deferment and economic hardship deferment, both of which student loan borrowers use to pause their payments during periods of financial difficulty.

Finally, the legislation limits access to Pell Grants, a type of federal

### REPAYMENT ASSISTANCE PLAN (RAP)

#### Estimated Monthly Loan Payments vs. Previous Plans

Annual Income	RAP	SAVE	Post-2014 IBR	PAYE
\$10K	\$10	\$0	\$0	\$0
\$20K	\$17	\$0	\$0	\$0
\$30K	\$50	\$0	\$54	\$54
\$40K	\$100	\$20	\$138	\$138
\$50K	\$167	\$62	\$221	\$221
\$60K	\$250	\$103	\$304	\$304
\$70K	\$350	\$145	\$388	\$388
\$80K	\$467	\$187	\$471	\$471
\$90K	\$600	\$228	\$554	\$554
\$100K	\$750	\$270	\$638	\$638
\$110K	\$917	\$312	\$721	\$721

Note: Estimates are for a single borrower with no children  
Source: Student Borrower Protection Center analysis of U.S. Senate student loan repayment changes as of June 11, 2025

aid available to low-income families, however it does create a new workforce grant program for students enrolled in short-term, workforce-focused training programs.

### If You Are a Homeowner

The deadline for qualifying for the energy-efficient home improvement credit is no longer the end of 2032, but is now December 31, 2025, and the deadline for qualifying for the residential clean energy credit is no longer the end of 2034 but is now also December 31, 2025.

### If You Are Over 65

The law does not eliminate taxes on Social Security, but it does add a new tax deduction for seniors for the 2025 to 2028 tax years. People over 65 can deduct up to \$6,000 from their taxable income if they make \$75,000 or less, or \$150,000 or less for married couples. The maximum deduction starts shrinking when income crosses that threshold and is eliminated completely once income crosses \$175,000 per person or \$250,000 per couple. This is in addition to the regular standard deduction and the additional standard deduction for seniors already in place.

### If You Are Planning to Buy a Car

Under the new law, tax credits for buying a new or previously owned electric vehicle will expire on September 30 rather than the end of 2032. That includes a \$7,500 incentive for buying a new EV, or \$4,000 for a used one. The credit for buying and installing a home charging station would end June 30, 2026.

In addition, the law enables taxpayers to deduct up to \$10,000 in auto loan interest from their taxable income for the 2025 to 2028 tax years. This only applies to U.S.-made cars and the maximum deduction phases down when income surpasses \$100,000 for individuals or \$200,000 for married couples filing jointly.

## Other Significant Changes

There are a number of other important changes regarding matters of the Federal debt limit, national security, and immigration that will affect everyone to varying degrees as well as changes that directly affect middle- and lower-income Americans and the states, intuitions, and corporations that provide and support healthcare services for them.

### The Federal Debt Limit

The legislation would raise the debt ceiling by \$5 trillion, going beyond the \$4 trillion outlined in the initial House-passed bill. Congress faces a deadline to address the debt limit later this summer. Treasury Secretary Scott Bessent has urged Congress to address the debt limit by mid-July, saying that the U.S. could be unable to pay its bills as early as August, when Congress is on recess.

By addressing the debt ceiling as part of the larger package,

Republicans in Congress aimed to bypass negotiating with Democrats on the issue. Unlike most other legislation in the Senate, the budget reconciliation process that governs the package requires a simple majority, rather than the 60-vote threshold to move forward with a bill.

### Homeland Security and Immigration

The legislation includes more than \$46.5 billion for border wall construction and related expenses, \$45 billion to expand detention capacity for immigrants in custody and about \$30 billion in funding for hiring, training and other resources for U.S. Immigration and Customs Enforcement. It also includes a minimum \$100 fee for those seeking asylum.

### Tips and Overtime Pay

For the 2025 to 2028 tax years, workers can deduct up to \$25,000 of tips from their taxable income under the new plan. Note that this would only apply to federal income taxes, not state or payroll taxes. The maximum deduction begins shrinking once income surpasses \$150,000. Only certain professions would qualify for the tips deduction—the Treasury is required to publish the list on or before October 2, 2025.

The law also adds a “no tax on overtime” deduction capped at \$12,500 for individuals or \$25,000 for married couples. Individuals making \$150,000 or less will qualify for the maximum deductions. This will be in effect for the 2025 to 2028 tax years, and only applies to federal income taxes, not state or payroll taxes.

### Medicaid

New federal work rules would require beneficiaries ages 19 to 64 who apply for coverage or who are enrolled through an Affordable Care Act expansion group to work at least 80 hours per month. Those start December 31, 2026, for most states. Adults may be exempt if they have dependent children or other qualifying circumstances such as a medical condition; however, the legislation limits exemptions for parents to those with dependent children ages 14 and under.

Starting October 1, 2028, Medicaid expansion states will be required to charge enrollees up to \$35 for some appointments if their income is between 100% and 138% of the federal poverty level. Medicaid changes would also require states to conduct eligibility redeterminations for coverage every six months, rather than every 12 months based on current policy. The legislation also limits states' ability to raise provider taxes, which may contribute to Medicaid coverage losses.

### Hospitals will lose funds

For hospitals, more uninsured people will mean more uncompensated healthcare costs.

Over the next decade, Medicaid payments to hospitals were

expected to be reduced by over \$660 billion, or 18% according to analysis by Manatt Health. Over that time, hospitals’ uncompensated care costs are projected to increase by upward of \$84 billion, according to an analysis of the bill by America’s Essential Hospitals, which represents some 350 hospitals nationwide.

The cuts may also eat into the earnings of for-profit hospitals like HCA Healthcare and Tenet Healthcare that have enjoyed lucrative boosts to their bottom lines from state-directed payments.

**Insurers will lose big business**

For insurers, the biggest impact of the legislation is clear: fewer customers. Though Medicaid is a government program, most enrollees get their benefits through insurers that are paid with state and federal money.

The industry impact will be heaviest among companies with a focus on Medicaid. Among the largest are Centene, which has nearly 13 million Medicaid enrollees, Elevance Health, UnitedHealth Group, Molina Healthcare, and CVS Health’s Aetna.

**State budgets will tighten**

Nationally, states will have roughly \$1.3 trillion dollars less in federal and state funds to spend on Medicaid over the next decade, according to Manatt. States that have expanded Medicaid to cover able-bodied adults will shoulder 93% of the reductions.<sup>1</sup>

One of the biggest impacts will come from the bill’s crackdown on so-called provider taxes, which states levy on hospitals and other healthcare providers to trigger federal matching funds. Most hospitals receive back more than they pay in taxes through higher payment rates via state-directed payments and other mechanisms.

Currently, the taxes are capped at 6% of healthcare providers’ net patient revenue but will be reduced to 3.5% in expansion states. In non-expansion states, tax rates will be frozen in place up to the 6% maximum.

**Supplemental Nutrition Assistance Program**

The law tightens eligibility requirements for Supplemental Nutrition Assistance Program (SNAP) recipients. With the exception of those caring for children under 14, able-bodied adults under 65 will be required to work 80 hours per month to be eligible for benefits. Eligibility for food stamp benefits would also be limited to U.S. citizens and lawful permanent residents. Previously, work requirements applied to adults under 55, with an exception for caregivers of children under 18. The law will also require some states to chip in for SNAP payments starting in fiscal 2028, which could strain their budgets.

1. Washington D.C. along with 40 states have expanded Medicaid. Those that have not include Alabama, Florida, Georgia, Kansas, Mississippi, South Carolina, Tennessee, Texas, Wisconsin, and Wyoming.

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