EXECUTIVE PROGRAM

What Overachievers Should Know About the One Big Beautiful Bill Act

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Introduction

The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, brings sweeping changes to the federal tax code and student loan system. While many provisions take effect gradually, some are already in place, and others will significantly reshape how borrowers repay student debt starting in 2026. Here's a look at the updates that are most likely to affect you or your family, along with why they matter.

Student Loan Changes: What's Happening and When

New Repayment Plan: RAP

The Repayment Assistance Plan (RAP) begins July 1, 2026, and will become one of only two available income-driven plans for new borrowers. RAP calculates monthly payments as a percentage of income, subtracting $50 per dependent, and requires a minimum $10 per month payment, even for those below the poverty line. Unlike current plans, RAP forgives interest not covered by the payment and reduces principal by up to $50 per month. Cancellation occurs after 30 years of payments.

Elimination of Current IDR Plans

By July 1, 2028 (or sooner), the SAVE, PAYE, and ICR plans will be eliminated. Borrowers who don't select a new plan will be automatically placed into RAP or IBR, depending on loan type. Only RAP and IBR will remain available after this transition.

Changes to IBR Eligibility

The law removes the "partial financial hardship" requirement to qualify for IBR, allowing more borrowers to enroll. Parent PLUS borrowers who consolidate before July 1, 2026, and enroll before July 1, 2028, will retain IBR access.

Repayment Options for New Loans Post–2026

Borrowers who take out or consolidate loans after July 1, 2026, will only be eligible for RAP or a new tiered version of the standard repayment plan, which scales the repayment term based on total borrowed. Only payments under the 10-year standard plan or RAP will qualify for Public Service Loan Forgiveness.

Restrictions on Deferment and Forbearance

Starting July 1, 2027, new borrowers will no longer be eligible for economic hardship or unemployment deferments. Forbearance use will also be limited to 9 months within any 2-year period.

Parent PLUS Loans: Act Before July 2026

After July 1, 2026, Parent PLUS borrowers will lose access to IDR plans unless they've consolidated and enrolled beforehand. New Parent PLUS loans issued after this date will only be eligible for the new standard repayment plan, and those issued after July 1, 2027, will face the new deferment and forbearance restrictions.

Grad PLUS Program Ends

The Grad PLUS loan program will end for students starting graduate or professional programs after July 1, 2026. The law also caps borrowing for students and parents, ending the prior "borrow up to the cost of attendance" rule.

Borrower Protections Rolled Back

The 2022 rule changes that made it easier to discharge loans through Borrower Defense and Closed School Discharge will only apply to loans originated after July 1, 2035. Older loans will revert to the more restrictive rules.

Rehabilitation Available Twice
Starting in 2027, borrowers will be allowed to use loan rehabilitation twice to exit default, rather than just once under current law.

What to Do Now
Ensure contact info is up to date on StudentAid.gov and with your servicer. Consider consolidating Parent PLUS loans before July 1, 2026.

Use the Student Loan Simulator to preview IDR payments
If you're in the SAVE plan, prepare for a higher payment once it's eliminated. Avoid taking out new loans or consolidating after July 1, 2026, unless necessary.

Why it matters: This is the most significant overhaul of federal student loans in decades. The elimination of plans like SAVE and PAYE, along with the introduction of RAP and new restrictions on deferment and forbearance, will make future borrowing less flexible and more costly, particularly for low-income borrowers and Parent PLUS borrowers. Acting now could preserve access to more favorable options.

The SALT Cap Was Raised Temporarily
State and Local Tax (SALT) deductions were capped at $10,000 back in 2018. OBBBA raises the cap to $40,000 for 2025, with small increases through 2029. A new phaseout begins at $500,000 of income and gradually reduces the deduction until it hits the original $10,000 cap.

Why it matters: If you itemize and live in a state with high income or property taxes, this gives you more room to deduct what you're already paying. But if you earn between $500,000 and $600,000, the deduction may phase down quickly, raising your effective marginal tax rate.

A Bigger Standard Deduction for Everyone
Starting in 2025, the standard deduction increases to:
- $31,500 for joint filers
- $23,625 for heads of household
- $15,750 for single filers

Why it matters: These higher standard deductions may help offset inflation-adjusted income growth, potentially lowering your tax bill compared to what it would have been under the old thresholds.

New Deductions for Specific Groups

OBBBA introduced new deductions available from 2025 to 2028:

- $6,000 for individuals age 65 and older
- Up to $25,000 for reported qualified tips
- Up to $12,500 (or $25,000 joint) for qualified overtime
- Up to $10,000 in personal auto loan interest

All are subject to income-based phaseouts.

Why it matters: These aren't necessarily game-changers, but they could help reduce taxable income if you or someone you support qualifies. The age 65+ deduction is especially meaningful for retirees or those supporting parents.

Charitable Giving Gets Slightly Less Generous

Beginning in 2026, OBBBA introduces a 0.5 percent AGI floor on charitable deductions. Only amounts above that floor are deductible.

Why it matters: If you're charitably inclined, consider bunching donations in 2025 before the floor takes effect. You'll likely get a bigger tax break.

Social Security Is Still Taxable

Despite rumors and political emails suggesting otherwise, the new senior deduction does not make Social Security income tax-free.

Why it matters: Be cautious when planning Roth conversions or other taxable moves in retirement. Additional income could still increase how much of your Social Security is taxed.

Clean Energy Credits Are Going Away

Several clean energy credits, including the Clean Vehicle Credit and the Residential Clean Energy Credit, will end in 2025 or 2026.

Why it matters: If you're planning to buy an EV or install solar, don't wait. These credits are disappearing sooner than expected.

529 Plans Get More Flexible

The law expands the use of 529 plans, including K–12 materials, dual enrollment costs, and recognized postsecondary credentials.

Why it matters: If you're funding a 529 for your child, you now have more qualified ways to use those dollars. While most of us will end up using the dollars for postsecondary education needs, having the opportunity to spend the money on a wider range of qualified expenses is always welcome.

Trump Accounts: Jumpstarts for Kids

These new accounts can be opened for children born 2025 through 2027. The government will deposit $1,000 to start, and parents or others (including employers) can contribute up to a combined $5,000 per year.

Why it matters: This isn't a 529 replacement, but for high-income families looking to get a head start on retirement savings for kids, it could be an interesting layer in your long-term strategy.

Other Items to Watch

- The Child Tax Credit is permanently increased to $2,200 and indexed for inflation.
- The Alternative Minimum Tax (AMT) exemption is still available, but phaseouts now start at lower income levels.
- Reporting thresholds for Venmo, PayPal, and others go back up to $20,000 and 200 transactions starting in 2025.

Final Thought

The OBBBA brings a long list of adjustments to the tax code and student loan system. Many changes are modest on their own but create new opportunities or new complexity when combined. Knowing the key provisions now allows you to take advantage of them intentionally.

As always, the earlier you plan, the more choices you keep on the table.