

The One Big Beautiful Bill Act (OBBBA), signed into law by President Trump on July 4, 2025, was hailed as a triumph for working Americans, a sweeping package delivering “no tax on tips,” “no tax on overtime,” bonuses for seniors, and the permanent extension of the 2017 Tax Cuts and Jobs Act (TCJA) provisions that were set to expire. Supporters promised relief for service workers, hourly employees, retirees, and families, claiming it would put more money in pockets without the fiscal recklessness of past giveaways. Yet, barely six months later, as taxpayers file their 2025 returns in early 2026, the reality is settling in: these tax breaks come laced with caveats, temporary sunsets, phaseouts, added complexity, and a ballooning deficit that future generations will pay for. What was sold as straightforward relief is proving far more conditional and costly than advertised.

Start with the headline promises. The bill makes permanent the TCJA’s lower individual income tax rates (top rate at 37%), doubled standard deduction, and enhanced child tax credit (now up to \$2,200 per qualifying child in 2025, with inflation adjustments). For 2025, the standard deduction stands at \$15,750 for singles and \$31,500 for married filing jointly, rising to \$16,100 and \$32,200 in 2026. These changes provide broad, lasting benefits, especially for middle-income households who take the standard deduction rather than itemize. The child tax credit’s refundable portion caps at \$1,700 per child, requiring Social Security numbers for eligibility, a safeguard against abuse but a limit on universality.

Then come the flashy, campaign-trail additions: deductions for tips (up to \$25,000), overtime pay (up to \$12,500, generally the “half” portion of time-and-a-half), and a “bonus” deduction for seniors aged 65+ (up to \$6,000 individual/\$12,000 joint). These apply from 2025 through 2028 only. The state and local tax (SALT) deduction cap rises temporarily to \$40,000 (with 1% annual increases through 2029) for those with modified adjusted gross income (MAGI) below \$500,000, phasing out thereafter and reverting to \$10,000 in 2030. Other perks include deductions for interest on loans for U.S.-made vehicles (temporary) and restored business expensing.

These provisions deliver real savings. The Tax Foundation estimates the OBBBA's tax cuts reduce individual taxes by about \$129 billion in 2025 alone, potentially boosting refunds by up to \$1,000 on average for some filers. Tipped workers in qualifying occupations (waitstaff, bartenders, gig drivers) can deduct reported tips, though they must still report them and pay payroll taxes for Social Security and Medicare. Overtime earners benefit similarly, but only on the premium portion. Seniors gain an above-the-line deduction that phases out at higher incomes (starting around \$75,000–\$150,000 depending on filing status in some analyses).

But the catches undermine the simplicity. First, temporariness: the tips, overtime, senior, and auto loan deductions expire after 2028, creating yet another “tax cliff” Congress will face pressure to extend, likely at additional cost. The SALT increase sunsets after 2029. As the Bipartisan Policy Center notes, of the bill's 105 tax provisions, seven are temporary, including the most politically visible ones. This pattern of short-term sweeteners encourages fiscal gaming rather than stable policy.

Eligibility restrictions add friction. Tips and overtime deductions phase out for MAGI over \$150,000 (\$300,000 joint), vanishing entirely at higher levels. The senior deduction phases out similarly. The SALT cap's phaseout creates a “SALT torpedo” for those between \$500,000 and roughly \$600,000 MAGI, where losing the deduction increases effective marginal rates sharply. These aren't universal breaks; they're targeted carveouts that exclude higher earners while complicating filings for everyone.

Complexity is another hidden cost. Workers must separately track and report qualified tips or overtime on forms like W-2 or 1099. The IRS has issued guidance on eligible occupations and calculations, but errors could trigger audits. Phaseouts demand precise MAGI computations, often requiring professional help. Meanwhile, the bill repeals or curtails clean vehicle tax credits (ending for most after September 30, 2025) and some Inflation Reduction Act energy incentives, raising costs for electric vehicles and home efficiency upgrades, trade-offs rarely highlighted in the victory lap.

The deepest caveat is fiscal. The Tax Foundation estimates the OBBBA reduces federal revenue by about \$5 trillion from 2025–2034 conventionally, or \$4.1 trillion dynamically (factoring 1.2% long-run GDP growth from pro-business provisions like permanent bonus depreciation). After spending offsets (nearly \$1.1 trillion), the net deficit increase is around \$3 trillion, plus \$700 billion in interest, totaling nearly \$3.8 trillion added debt. Publicly held debt could hit 124% of GDP by 2034. Even with potential tariff revenues offsetting some (\$1.6–\$2.1 trillion dynamically), deficits average 6.3–6.8% of GDP, unsustainable historically. Critics argue this crowds out investments in infrastructure, health care, or debt reduction, while benefits skew toward higher earners via permanent rate cuts and business perks.

Proponents counter that growth will pay dividends, and the bill avoids the automatic 2026 tax hikes from TCJA expirations. Yet the reliance on temporary provisions sets up perpetual renewal battles, eroding certainty. The “no tax” slogans mislead: these are deductions, not exemptions from all taxes (payroll, state, local remain), and benefits erode with income or time.

In the end, the OBBBA offers tangible relief amid inflation and wage pressures, but its caveats, sunsets, phaseouts, complexity, and massive deficits reveal a bill more about political scoring than enduring reform. Taxpayers should celebrate the savings now while planning for 2029 cliffs and consulting experts. True tax relief demands permanence and fiscal responsibility, not flashy temporary fixes that mortgage tomorrow for today’s headlines.