Market Commentary | July 7, 2025

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Tax & Spending Bill Passed, Tariffs Still in Flux

On July 4, President Trump signed into law the One Big Beautiful Bill Act. The most notable aspects of the new legislation include the continuation of the lower corporate and individual tax rates established under the Tax Cuts and Jobs Act passed during President Trump's first term. The estate tax and gift tax exemptions will be increased to $15 million for individuals and $30 million for couples. Overall, the tax and spending aspects of the Act should be stimulative for the economy but will likely lead to larger budget deficits and increased government indebtedness. The table below summarizes some notable aspects of the Act on individual taxpayers.

Key individual tax changes from Trump's 'big beautiful' bill

Current law vs. final legislation

Current law	*Final legislation*
Standard deduction	
$15,000 single; $30,000 married filing jointly for 2025	$15,750 single; $31,500 married filing jointly for 2025
'Bonus' deduction for older adults	
$1,600 for age 65 and older for 2025; $2,000 unmarried/not surviving spouse for 2025	$7,600 for age 65 and older; $8,000 for unmarried/no surviving spouse; both from 2025 through 2028
State and local tax deduction (SALT)	
$10,000 limit through 2025	$40,000 limit for 2025; increases by 1% through 2029; reverts to $10,000 in 2030
Child tax credits	
Max credit of $2,000 per child through 2025; refundable portion $1,700 for 2025	Max credit of $2,200 per child; refundable portion $1,700 for 2025
Estate and gift tax exemption	
$13.99 million single; $27.98 million filing jointly for 2025	$15 million single; $30 million married filing jointly for 2026
Tax on tips	
N/A	Deduct up to $10,000 per year from 2025 through 2028
Overtime pay	
N/A	Deduct up to $12,500 per taxpayer from 2025 through 2028

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Current law	Final legislation
Auto loan interest	
N/A	Deduct up to $10,000 of annual interest on new loans from 2025 through 2028
Trump Accounts for child savings	
N/A	One-time $1,000 credit to account per child born between 2025 through 2028
Charitable deduction for non-itemizers	
N/A after 2021	$1,000 single; $2,000 married filing jointly; permanent after 2025

Source: Reporting by Kate Dore / CNBC
https://www.cnbc.com/amp/2025/07/03/trump-big-beautiful-bill-tax-changes.html

Impact on Businesses

In addition to the impact on individuals, the new legislation contains several provisions that will impact businesses. Of note are provisions that would give businesses tax incentives for research and development and for investment in property, plant, and equipment. Below are some of the tax provisions impacting businesses.

Business Tax Provisions

- Permanently restore immediate expensing for domestic research and development (R&D) expenses; small businesses with gross receipts of $31 million or less can retro-actively expense R&D back to after 12/31/21; all other domestic R&D between 12/21/21 and 1/1/25 can accelerate remaining deductions over a one- or two-year period.
- Permanently reinstate the EBITDA-based limitation on business net interest deductions.
- Permanently restore 100 percent bonus depreciation for short-lived investments.
- Temporarily provide 100 percent expensing of qualifying structures, with the beginning of construction occurring after Jan. 19. 2025, and before Jan. 19, 2029, and placed in service before Jan. 1, 2031.
- Make the Section 199A pass-through deduction permanent; increase phase-in range of limitation by $50,000 for non-joint returns and $100,000 for joint returns; create a minimum deduction of $400 for taxpayers with $1,000 or more of qualified business income (QBI) for material participants.
- Implement a one percent floor on deduction of charitable contributions made by corporations.

- Eliminate clean electricity production credit (45Y) and investment credit (48E) for projects placed in service after 2027, except for baseload power sources such as nuclear, hydropower, geothermal, and battery storage; introduce restrictions related to foreign entities of concern (FEOC) and add excise tax for wind and solar projects related to FEOC content thresholds.
- Repeal clean hydrogen production credit (45V) after 2027 and the deduction for energy-efficient commercial buildings (179D) after one year of law's enactment.
- Extend the clean fuel production credit (45Z) until 2030 and expand eligibility.
- Introduce FEOC restrictions for several other credits, including the nuclear production credit (45U), the clean fuel production credit (45Z), the carbon oxide sequestration credit (45Q), and the advanced manufacturing production credit (45X); alter phaseouts and eligibility for 45X and 45Q.
- Require intangible drilling and development costs to be taken into account for the purposes of computing adjusted financial statement income.
- Add income from hydrogen storage, carbon capture, advanced nuclear, hydropower, and geothermal energy to qualifying income of certain publicly traded partnerships treated as C corporations.

Source: https://taxfoundation.org/research/all/federal/big-beautiful-bill-senate-gop-tax-plan/

Impact on the Economy and the Markets

From an economic perspective, the likelihood of a recession has diminished even further and corporate earnings should get a boost. The Tax Foundation estimates that long-term GDP growth would be boosted by about 1.2% and the budget deficit would increase by $3.8 Trillion from 2025 through 2034.

From a market perspective, the legislation is favorable for stocks but less favorable for bonds as interest rates could increase somewhat in reaction to the larger federal debt levels required to finance the deficit. The S&P 500, Nasdaq Composite, Bloomberg Corporate High Yield Index, the ICE CCC High Yield Index, and the NYSE Cumulative Advance-Decline Line are all trading at new all-time highs. This illustrates the strength and breadth of the recent rally. In addition, the S&P 500 Index's 50-day moving average rose above their 200-day moving average, in what is normally referred to as a "golden cross." Ed Yardeni commented on this saying that "golden crosses" tend to be bullish breakout patterns, indicating the possibility of a long-term bull market.

After the big rally to new highs, sentiment is no longer the tailwind it provided just following the April lows. The caveat here is that sentiment works better at bottoms than tops, and it's best to wait for the sentiment turn. The American Association of Individual Investors (AAII) sentiment poll now shows more bulls than bears. In the latest poll, 45% of investors polled are bullish, up from 20% at the lows. Meanwhile, 33.1% of investors are bearish, down from 61.9%.

On the tariff front, the administration has postponed implementation of the higher reciprocal tariffs deadline on July 9. While the situation is quite fluid, it has been announced that many countries will receive “take it or leave it” letters from the U.S. stating what the new tariff rates will be. It is believed at this time that those higher rates would take effect on August 1. Negotiations continue with our largest trading partners, and more deals could potentially be announced in the coming days. Treasury Secretary Scott Bessent said in an interview on CNN’s “State of the Union” that a country’s tariffs will go back to April 2 levels on August 1 if there is no progress on signing a deal with the U.S. Bessent also said, “I would expect to see several big announcements over the next couple of days.”

Bottom Line for Advisors

With the passage of the new tax and spending bill, clients are likely to benefit from extended tax relief and a more favorable economic backdrop—particularly business owners and high-net-worth individuals affected by the increased exemption limits. However, the unresolved tariff situation could introduce market volatility in the near term. Now is a good time to proactively connect with clients to discuss planning opportunities, assess portfolio positioning considering the evolving policy landscape, and to help them stay focused on long-term goals amid shifting headlines.

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The ICE BofA CCC & Lower US High Yield Index tracks the performance of USD-denominated, non-investment grade corporate bonds rated CCC or lower by major credit rating agencies. These bonds are publicly issued in the US domestic market and must have at least one year of remaining maturity and a fixed coupon schedule.

The NYSE Cumulative Advance-Decline (A/D) Line is a technical indicator that tracks the cumulative difference between the number of stocks on the New York Stock Exchange (NYSE) that have advanced and declined on a daily basis. It's a measure of market breadth, showing how many stocks are participating in a market's overall movement.

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