

What's Not So Beautiful for Retirees in the OBBBA

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[The One Big Beautiful Bill Act] has goodies for everyone across the income and wealth spectrum, although the Congressional Budget Office estimates that the poorest 10% of Americans could be negatively affected, the middle may see modest benefits, and the wealthiest 10% could do best. Since advisors and their retired

clients tend to fall into the latter group, or at least the upper half of the middle range (median U.S. household income was \$77,700 in 2023), the new law will probably be the source of much happiness in early 2026 when tax filing takes place.

Just to make sure I don't succumb to premature elation, I decided to ask an expert what might not be so great for retirees in the new tax. [Tara Burek](#), co-tax leader of the private client group at Anchin, a New York-based accounting and advisory firm, came to the rescue.



She identified a few key areas where the law giveth but also taketh away, and where it creates future uncertainties that bear watching.

Medicare and Medicaid

"While not immediate, the bill sets the stage for future reductions to Medicare benefits, which could affect coverage for essential services and increase out-of-pocket costs for retirees," Burek said.

Although not part of the new tax law, the 2025 Medicare Trustees report projects that the standard monthly Medicare Part B premium could rise to \$206.50 in 2026 from the current \$185—an 11.6% jump and the largest single-year increase since 2016, when premiums climbed 16.1%. That means retirees in higher income brackets could be spending up to \$700 a month per person on Medicare Part B.

Regarding long-term care, near-retirees anticipating their own needs and those grappling with the needs of their octogenarian and older parents, face changes coming to Medicaid that will make eligibility requirements stricter. Key changes include a uniform home equity cap of \$1 million for long-term care applicants beginning in 2028. Starting in 2027, there will also be a reduction in the retroactive coverage period to 60 days. Currently, Medicaid typically covers medical expenses

for the 90-day period before the Medicaid application date. Often, the time just before Medicaid coverage begins can be a period when medical expenses are very high.

Charitable Deductions

“Itemized deductions, including those for charitable contributions, are now capped at a 35% benefit, limiting the tax savings for taxpayers in the top 37% bracket who are charitably minded,” Burek said. “A new 0.5% adjusted gross income floor for charitable deductions may also affect retirees who are philanthropic, potentially reducing flexibility in philanthropic planning and the effective tax savings of large donations.”

SALT

The \$10,000 cap for state and local tax deductions remains in place, but a temporary increase in the cap to \$40,000 has been put in place through 2029. The increased cap begins to phase out for married couples filing jointly with MAGI exceeding \$500,000 (\$250,000 for individual filers). For every dollar exceeding the threshold, the deduction is reduced by 30 cents, until it reaches the initial \$10,000 cap at \$600,000 MAGI (\$300,000). The cap and the phase-out thresholds will increase by 1% each year from 2026 through 2029.

The SALT change disproportionately affects wealthy retirees in high-tax states like California, New Jersey, and New York. Without further relief, Burek said, these taxpayers may face higher effective tax rates, especially if they maintain expensive homes or properties.

Estate Taxes

The federal estate and gift tax exemption has been permanently increased to \$15 million per individual and is indexed for inflation. But that may create a false sense of security and encourage complacency, Burek says, because a future administration could reverse it.

“Also, state-level estate taxes, such as those in New York, remain unchanged,” she

said. "State residency planning is critical when trying to minimize estate taxes, and wealthy retirees who delay estate planning may miss opportunities to lock in current exemptions through the use of trusts or gifting strategies."

What's more, as friends who have second homes in Florida and established residency there have noted, New York (alongside other high-tax states, no doubt) is becoming increasingly vigilant about the length of snowbird sojourns. If you come to your New York home to visit family and friends, for example, and your stay includes, say, an unexpected trip to the hospital and then recuperation, you may automatically be considered a New York resident for tax purposes if you wind up having spent more than 183 days in the Empire State during a single tax year.