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National Academy of Elder Law Attorneys

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SPECIAL NEEDS ALLIANCE

What Special Needs Law Practitioners Need to Know About the OBBBA

PUBLIC POLICY EXPLAINER

The One Big Beautiful Bill Act (P.L. 119-21), signed into law on July 4, 2025, includes a number of changes that could affect individuals with disabilities, even if that is not their explicit intent. Learn what the changes include and when they'll take place below. You can read the full text of the bill here.

FEDERAL TAX CHANGES

Makes the 2017 Individual Tax Cuts Permanent

What It Says: The reduced individual tax rates passed as part of the Tax Cuts and Jobs Act (TCJA) in 2017 are now permanent and will not expire on December 31, 2025.

Tax Bracket	Permanent Federal Tax Rate Under OBBBA	2026 Federal Tax Rate in Absence of OBBBA
1	10%	10%
2	12%	15%
3	22%	25%
4	24%	28%
5	32%	33%
6	35%	35%
7	37%	39.6%

See the Tax Foundation for further information on income brackets by filing status.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: No action to take.

Increases the Standard Deduction Permanently

What It Says: The law increases the standard deduction permanently for individual and joint filers. Specifically, it increases the standard deduction for 2025 to $15,750 for single filers, $23,625 for heads of household, and $31,500 for married couples filing jointly. These amounts will be adjusted annually for inflation in subsequent years.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: Alert your clients to this change if applicable.

Excludes Discharge of Student Loans Due to Death or Disability From Taxable Income Permanently

What It Says: The law excludes from taxable income the discharge of student loans due to death or disability. This is now a permanent exemption and will not expire on December 31, 2025.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: Alert your clients to this change if applicable.

Adds $6,000 Bonus Deduction for Certain Individuals 65 and Older

What It Says: Individuals ages 65 and older who do not itemize their taxes and earn less than $75,000 (or $150,000 for couples) will be able to claim an extra $6,000 deduction for tax years 2025–2028, with smaller deductions for individuals earning up to $175,000 (or $250,000 for a couple filing jointly). Beginning with the 2029 tax year, the deduction will not be applicable.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: Alert your clients to this change if applicable.

Raises the SALT Limit

What It Says: Raises the state and local tax (SALT) deduction limit to $40,000 for individuals earning more than $250,000 or couples earning more than $500,000 for the 2025–2029 tax years. Afterward, the limit reverts back to $10,000.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: Alert your clients to this change if applicable.

Expands the 529 Qualified Tuition Program for Students With Disabilities

What It Says: The 529 program — which allows tax-free withdrawals to cover eligible higher-education costs such as tuition, books, and room and board — can now be used for additional expenses, such as education-related therapies for students with disabilities, up to $20,000.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: Alert your clients to this change if applicable and ensure they keep relevant paperwork to file with their tax returns.

New Deductions for Tips and Overtime Pay

What It Says: Up to $25,000 in tips can be deducted from federal taxable income for tax years 2025–2028. Up to $12,500 in overtime pay can be deducted from federal taxable income for tax years 2025–2028. After tax year 2028, these deductions will expire, meaning tips and overtime will generally be taxed as regular earned income.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: Alert your clients to this change if applicable.

Makes Permanent the Estate and Gift Tax Exemption of $15 Million

What It Says: The law permanently extends the 2017 TCJA provision that effectively doubled the lifetime estate, gift, and generation-skipping transfer tax exemptions. Currently, the exemption for 2025 is set at $13.99 million per individual, which was slated to expire on December 31, 2025, and then revert to the pre-TCJA limit of $5 million (adjusted for inflation). OBBBA permanently extends the higher exemption amount and raises it to $15 million per individual in 2026, with inflation adjustments beginning in 2027.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: Alert your clients to this change if applicable.

Extends ABLE Act Provisions Permanently

What It Says: The law permanently extends several provisions of the Achieving a Better Life Experience (ABLE) Act, which allows individuals with disabilities to create tax-advantaged savings accounts, known as ABLE accounts, to save for disability-related expenses. Individuals with disabilities who are employed will be allowed to contribute the lesser of the applicable federal poverty level for a one-person household in the previous year or the beneficiary's compensation for the year to their ABLE account permanently. There is an additional year of inflation adjustment for the base amount of the limit. In addition, designated beneficiaries who make qualified contributions to their ABLE account can qualify for the Saver's Credit permanently, and tax-free rollovers of amounts in Section 529 qualified tuition programs to qualified ABLE programs are also permanently allowed.

When It Takes Effect: January 1, 2026.

What You Should Do: Alert your clients to this change if applicable.

Notably, under separate legislation (the ABLE Age Adjustment Act of 2022, which was ultimately passed as part of the Consolidated Appropriations Act, 2023), more people will become eligible for ABLE accounts in tax year 2026. People whose disability was diagnosed before age 46 will be eligible for the accounts, up from age 26 currently, allowing millions more people to qualify. This change, which takes effect on January 1, 2026, is *not* part of P.L. 119-21 but is occurring simultaneously.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) BENEFIT CHANGES

Expands Work Requirements for SNAP Beneficiaries

What It Says: Currently, most adults ages 18–54 without children in their household can only receive SNAP benefits for three months in a three-year period without working at least 20 hours per week or meeting an exemption (such as having a disability). The new law extends this requirement to individuals ages 55–64, and to individuals with children age 14 or older in their household.

When It Takes Effect: The law did not specify an effective date for this provision, meaning that it technically took effect upon enactment; however, states will likely need guidance or rulemaking and some kind of transition period to put the provision into practice. In general, federal regulations at 7 CFR § 272.1(g) allow up to four months for states to implement SNAP eligibility changes and state that "non-income eligibility factors shall be deferred until the household's scheduled recertification." In other words, individuals currently receiving SNAP may not be subject to the requirements until their next eligibility recertification.

What You Should Do: Individuals ages 55 to 64 who are now subject to work requirements should use this time to gather potential paperwork to document any exemption for which they may qualify, including having a disability. Look to state agencies for more information on what paperwork is required, when it is due, and how to file it, and be ready to inform your clients.

Puts Matching Requirements for States in Place Based on SNAP Payment Error Rate and Increases Administrative Cost Sharing

What It Says: States with payment error rates at or above 6% will be required to share a portion of benefit costs, ranging from 5% to 15% of costs, depending on their error rate. Additionally, the state share of administrative costs will increase from 50%to 75%.

When It Takes Effect: October 1, 2027 (matching requirements); October 1, 2028 (administrative cost sharing increase).

What You Should Do: Be aware that states receiving less money from the federal government and having to spend additional state funds on SNAP benefit and administrative costs could lead them to decrease eligibility or lower benefit levels, resulting in fewer benefits for fewer people.

MEDICAID CHANGES

Prohibits Implementation of Eligibility and Enrollment Rules and Nursing Home Staffing Rule Through September 30, 2034

What It Says: Although some states have already started to put into place processes to implement the Medicaid eligibility and enrollment rules and nursing home staffing rule that were issued during the Biden administration, the OBBBA delays implementation of these rules through September 30, 2034. The Medicaid eligibility and enrollment rules were designed to make it easier for applicants to apply for and enroll in Medicaid by reducing paperwork requirements, using existing data sources to ensure applicants met eligibility, and making renewals easier. The nursing home staffing rule required nursing homes to have an RN on duty 24/7 and to have a total nurse staffing standard of 3.48 hours per resident per day.

When It Takes Effect: Upon the law's enactment (July 4, 2025).

What You Should Do: No action to take.

Enacts Work Requirements for Medicaid

What It Says: The law puts into place work requirements as a condition of eligibility for Medicaid recipients ages 19–64 in the ACA expansion group (or similar demonstration group) who do not meet an exception. Exceptions include parents and caretakers of children under 13 years old; individuals who are "medically frail" (those with disabilities or serious medical conditions); and pregnant or postpartum individuals. To comply with the law, a non-exempt individual must spend 80 hours a month working (or have an income not less than minimum wage multiplied by 80 hours per month), participating in community service activities, participating in work or educational programs, or a combination of these. States must verify that individuals applying for or renewing coverage meet requirements for at least one (1), and not more than three (3), consecutive months preceding the month of application or redetermination. States may choose to implement work requirements earlier than January 1, 2027. Three months prior to implementation and "periodically" afterward, states must notify applicable individuals. The Secretary of Health and Human Services (HHS) is directed to issue interim final rulemaking for work requirements by June 1, 2026. States can apply for a good faith extension by December 31, 2028, if they experience implementation challenges, which the HHS Secretary may grant at their discretion. These requirements cannot be waived via Section 1115 demonstration authority. The federal work requirements for Medicaid supersede all state work requirement demonstrations.

When It Takes Effect: January 1, 2027, or earlier at state discretion.

What You Should Do: Although individuals with disabilities are exempted from work requirements, your clients should use this time to gather paperwork documenting their disability for exemption purposes. This is especially the case for individuals who have disabilities or special medical needs but are not eligible for Medicaid through a disability-based pathway. Watch for more information from your state Medicaid agency on when the work requirements provision will be put into place, as well as what documents need to be filed, when, and how, in order to ensure that your clients meet all deadlines and documentation needs. This will be especially important given the difficulties many individuals have had in Arkansas and Georgia when work requirements were implemented, which resulted in thousands of people being kicked off Medicaid. Among the reasons were onerous reporting requirements, lack of communication about the need to participate, technology challenges for enrollees, questions about who needs to enroll, and failure to provide documentation of an exemption.

Shortens the Retroactive Coverage Period

What It Says: The law limits the Medicaid retroactive coverage period from three months to one month prior to application for the Affordable Care Act (ACA) expansion population and two months prior to application for all other Medicaid groups.

When It Takes Effect: January 1, 2027.

What You Should Do: Reducing the retroactive coverage period could have substantial impacts on your clients. If possible, encourage them to be proactive by keeping important documents together that they may need, such as birth certificates and other identifying documents, in a centralized location that they and/or a family member can access easily. Should they need to apply for Medicaid quickly, such as in a medical crisis, you may need to help them expedite paperwork and file applications every 30 days to process their eligibility determination. State agencies, which are not receiving any additional money to process applications, may face high application volumes and experience backlogs and processing delays.

Establishes a $1 Million Ceiling for Home Equity Values for LTSS Eligibility

What It Says: The law institutes a maximum home equity limit of $1 million — regardless of inflation — for enrollees who qualify for Medicaid to receive long-term supports and services (LTSS). This is especially likely to impact people with homes in high-cost areas, such as metropolitan areas and tourist destinations like Hawaii. Certain agricultural plots are exempt. Eleven states already have limits higher than $1 million, meaning that the law represents a decrease in the home equity limit for individuals living there. These states include Alabama, Colorado, Connecticut, Hawaii, Maine, Massachusetts, New Jersey, New York, Tennessee, Washington, and Washington, DC. Additionally, states will no longer be able to use income or asset disregards to effectively raise the home equity limit when determining an individual's eligibility for a nursing facility or LTSS. An example of a state that currently uses this flexibility is California, which effectively does not have a limit. These changes do not affect how home equity is treated in the case that a spouse is still residing in the home.

When It Takes Effect: January 1, 2028.

What You Should Do: Monitor your state's Medicaid agency for notices or guidance as to how these changes will affect LTSS eligibility rules and processes. Consider these changes when assisting clients with Medicaid applications and renewals.

OTHER CHANGES

The law includes several other changes that could indirectly affect individuals with disabilities by increasing costs and potentially reducing the number of providers in certain states.

- Limiting new state-directed payments to 100% of the approved Medicare rate (in expansion states) and 110% of the approved Medicare rate (in non-expansion states), beginning upon the law's enactment (July 4, 2025).

- Requiring more frequent eligibility redeterminations for Medicaid for the ACA expansion population (at least every 6 months instead of every 12 months), beginning January 1, 2027.
- Freezing provider taxes in place (as of the date of enactment, July 4, 2025) and, for ACA expansion states only, reducing the safe harbor limit from 6% to 5.5% in fiscal year 2028, and by 0.5 percentage points each year until reaching 3.5% in fiscal year 2032.
- Imposing cost-sharing of up to $35 per service on the ACA expansion population for incomes 100–138% of the federal poverty level, with exclusions for primary care, mental health, substance abuse disorder, and certain other services, beginning October 1, 2028.
- Creating a new verification system to prevent double coverage of individuals in multiple state Medicaid programs by October 1, 2029.

Importantly, cuts to federal funding in Medicaid in general are likely to result in states taking actions such as reducing eligibility, reducing optional services (for example home and community-based services), or reducing provider payment.

ADDITIONAL GUIDANCE

If you have clients who are adults receiving Social Security or SSI benefits and do not already have a "My Social Security" account, it is a good idea to set one up so it's available whenever your clients need it. The Social Security Administration is increasingly encouraging people to use online services. Setting up an account will help you and your clients get easier access to information about their benefits, which may be necessary for Medicaid and other benefits application.