ONE BIG BEAUTIFUL BILL ACT: A WEALTH PLANNING UPDATE

July 7, 2025

The "One Big Beautiful Bill Act," signed into law by President Trump on July 4, is essentially an extension of the Tax Cuts and Jobs Act of 2017, with several additions. It is important to note that any of the provisions that are made "permanent," are in fact extended indefinitely. They could be changed after 2028 by a new administration using a similar reconciliation process with only 50 votes in the Senate and a tiebreaker vote by the vice president.

Here are five key federal tax changes that could impact high net worth families:

- **SALT Deduction.** The existing $10,000 cap on state and local tax, or SALT deductions, such as state income and property taxes, is temporarily rising to $40,000 beginning in 2025, but with a phaseout for anyone earning more than $500,000. The new $40,000 SALT deduction limit will be increased 1% each year after 2025, but the limit reverts to $10,000 in 2030. The new law also preserves a popular workaround for owners of pass-through entities, such as partnerships and S corporations, to take advantage of a pass-through entity tax, or PTET, that avoids the cap under certain state laws.

- **Itemized Deductions.** For the roughly 10% of taxpayers who itemize their taxes – rather than taking the standard deduction (currently, $15,000 for single filers or $30,000 for joint filers) – there is a new deduction limitation threshold of 2/37ths for taxpayers in the highest 37% tax bracket beginning in 2026. In general, that means those taxpayers are taxed at a 37% rate but only get a deduction at a 35% rate.

- **Charitable Deductions.** For charitable donors who itemize taxes, the value of the charitable deduction will be subject to a new 0.5% floor, meaning the donors only get a deduction for donations that exceed 0.5% of adjusted gross income, or AGI, beginning in 2026. In other words, a donor with $1 million of AGI will not get any tax benefit for the first $5,000 of charitable donations. For the approximate 90% of taxpayers who don't itemize, the new tax bill allows taxpayers to take the standard deduction and claim a charitable deduction of up to $1,000 for single filers and $2,000 for joint filers starting in 2026.

- **Exemption Amount.** The historically high gift, estate and generation-skipping transfer tax exemption amount of $13.99 million per person in 2025 is increased to $15 million per person (or $30 million for married couples) starting in 2026 and adjusted for inflation after 2026. The new exemption amount is indexed for inflation and made "permanent" – which means it is not set to automatically expire like previous tax bills but could still be changed down the road by a future administration.

- **QSBS Exclusion.** For investors in qualified small business stock, or QSBS, the exclusion of capital gain on the greater of $10 million or ten times basis is increased to the greater of $15 million or ten times basis beginning in 2026 and adjusted for inflation after 2026. In addition, the gross assets test for the size of a small business investment that qualifies for QSBS is increased from $50 million to $75 million. Lastly, for founders and investors who have not met the five-year holding period for QSBS benefits and don't want to roll over the investment into new QSBS, a new 75% benefit is provided for a four-year holding period and a 50% benefit is provided for a three-year holding period.

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