

ONE BIG BEAUTIFUL BILL: CONSIDERATIONS FOR 2025 AND FUTURE TAX YEARS

The **One Big Beautiful Bill Act (OBBBA)**, signed into law by President Trump on July 4, 2025, introduces sweeping reforms with far-reaching implications across multiple industries and financial sectors. This new legislation significantly affects wealth transfers, tax strategies, and asset protection, particularly for business owners and high-net-worth individuals.

It is essential to understand how these changes may impact your financial situation and determine whether adjustments to your current plan are necessary. The following summary outlines key opportunities and challenges in the context of financial and estate planning.

1. Estate and Gift Tax Exemptions

Effective January 1, 2026, the lifetime exemption for estate, gift, and generation-skipping transfer (GST) taxes is now permanently set at \$15 million per individual (\$30 million per couple), indexed annually for inflation.

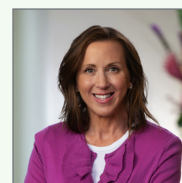
With a 40% tax rate on amounts exceeding the exemption, now is an opportune time to review your estate plan, gifting strategies, and use of lifetime exemptions. Several planning techniques can help reduce taxable estates, including:

- Outright gifts
- Grantor Retained Annuity Trusts (GRATs)
- Spousal Lifetime Access Trusts (SLATs)
- Sales to Intentionally Defective Grantor Trusts (IDGTs)

2. Annual Exclusion Amount

Although not part of the OBBBA, the IRS has increased the annual gift tax exclusion to \$19,000 per recipient for 2025. This is the amount an individual may gift to an unlimited number of recipients each year without filing a gift tax return or reducing their lifetime exemption.

In addition, taxpayers can make unlimited payments directly to medical or educational institutions on behalf of another individual with the same tax exceptions.



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3. Charitable Giving

For taxpayers claiming the standard deduction, the OBBBA limits charitable deductions to \$1,000 for individuals and \$2,000 for married couples filing jointly.

For those who itemize deductions, the law introduces new restrictions beginning in 2026:

- Cash donations to qualified charities remain deductible up to 60% of adjusted gross income (AGI)
- A new 0.5% AGI floor applies, meaning only the portion of charitable contributions exceeding 0.5% of AGI is deductible

Consider whether accelerating or delaying charitable contributions may be beneficial under the new rules. For many, Donor-Advised Funds (DAFs) remain a powerful tool, allowing you to make charitable contributions now (and receive current deductions), while distributing to charities in future years.

4. State and Local Taxes (SALT)

The OBBBA increases the SALT deduction cap from \$10,000 to \$40,000 for the years 2025 – 2029, with a 1% annual increase. In 2030, the cap reverts to \$10,000. Note that this increase is phased out for higher-income households.

For residents of high-tax states, it may be strategic to manage Modified Adjusted Gross Income (MAGI) to take full advantage of the deduction. Tactics include:

- Maximizing contributions to 401(k), IRA, and HSA accounts
- Prepaying property taxes in years with lower MAGI
- Avoiding transactions that elevate MAGI, such as:
 - » Roth IRA conversions
 - » Large mutual fund distributions
 - » Unnecessary asset sales

5. Trump Accounts

Trump Accounts are tax-deferred investment accounts designed for children under 18 who are US citizens or residents with a valid Social Security number. These accounts allow:

- Annual contributions of up to \$5,000 from parents, family, or others
- Employer contributions of up to \$2,500 per year
- Contributions until the child turns 18

Key Features and Limitations:

- Accounts cannot be opened or funded until July 4, 2026
- \$1,000 government seed money is only available for children born between January 1, 2025 and December 31, 2028

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- Investments are limited to government-approved equity index funds
- No withdrawals are allowed before age 18, except in limited circumstances
- At age 18, the account converts to a structure similar to a traditional IRA, with comparable tax rules and withdrawal restrictions
- No catch-up contributions are permitted for missed years
- Contributions count toward your annual gift tax exclusion

Next Steps

Many of the changes introduced by the OBBBA are complex and interdependent. However, with careful planning and guidance from qualified professionals, individuals and families can navigate these changes effectively and take advantage of several taxpayer-favorable opportunities.

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