

The One Big Beautiful Bill Act (OBBBA): A Comprehensive Guide

On July 4, 2025, President Trump signed into law a tax and budget package unofficially known as the One Big Beautiful Bill Act (OBBBA). This federal legislation extends or modifies many of the individual and business tax provisions first introduced by the 2017 Tax Cuts and Jobs Act, while adding several new priorities championed during the 2024 campaign. This guide provides a detailed analysis of the OBBBA's key provisions and their implications for high-net-worth individuals, with strategies to optimize tax planning in light of these significant changes, as of August 1, 2025.

The Cynosure Group

Individual Tax Rate Changes and Capital Gains Reform

The OBBBA permanently extends the lower individual tax brackets established under the Tax Cuts and Jobs Act, preventing a scheduled reversion to higher pre-2018 rates. This may reduce federal tax liabilities for some high-income taxpayers who would have faced substantially higher rates after 2025.

Income Tax Rates

The 10%, 12%, 22%, 24%, 32%, 35%, and 37% brackets are now permanent, with additional inflation adjustments for the 10% and 12% brackets to preserve middle-class tax relief.

AMT Exemption

The increased Alternative Minimum Tax exemption amounts from TCJA are permanently extended, with the phaseout threshold for joint filers reset to \$1,000,000 starting in 2026. The exemption phaseout rate increases from 25% to 50%.

Estate & Gift Tax

The estate and gift tax exclusion is permanently increased to \$15 million (indexed for inflation from 2026), preventing the scheduled reversion to approximately \$7 million in 2026. The Generation-Skipping Transfer tax exemption is aligned with this higher threshold.

For wealthy clients, these changes offer unprecedented opportunities for intergenerational wealth transfer. The permanent \$15 million estate and gift tax exclusion (approximately \$15.9 million with inflation adjustments for 2026) allows for significant tax-free transfers. For married couples, this effectively creates a combined exclusion of nearly \$32 million, substantially reducing or eliminating estate tax concerns for all but the wealthiest families.

Planning Implications

- Review and potentially revise estate plans to take advantage of the permanently higher exclusion amounts
- Consider lifetime gifting strategies that leverage the increased exemption
- Evaluate the impact of the revised AMT parameters on your tax situation, particularly for those with significant tax preference items

Capital Gains Considerations

While the OBBBA does not directly change capital gains rates, it does introduce significant reforms to Qualified Small Business Stock (QSBS) exclusions and Opportunity Zone investments that warrant attention from investors.

The restructured QSBS rules create a tiered exclusion system (50%/75%/100% at 3/4/5 years) for stock acquired after July 4, 2025, with a higher per-issuer cap of \$15 million, up from \$10 million previously.

Illustration only • See assumptions appendix

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Estate Planning and Wealth Transfer Opportunities

Permanent Higher Estate Tax Exclusion

The OBBBA permanently increases the estate and gift tax exclusion to \$15 million, indexed for inflation beginning in 2026. This represents a material change in estate planning, effectively doubling the exclusion amount that would have been available after the scheduled TCJA sunset. For 2026, with inflation adjustments, the exclusion is expected to be approximately \$15.9 million per individual or \$31.8 million for married couples.

The applicable credit amount increases to \$5,945,800 in 2026, reflecting the tentative tax on the \$15 million exclusion. This significantly expands the ability to transfer wealth tax-free during lifetime or at death.



\$15M

Base Exclusion

The new permanent base exclusion amount, replacing the scheduled reversion to approximately \$7M in 2026

\$31.8M

Married Couple

Estimated combined exclusion for married couples in 2026 with inflation adjustments

\$5.9M

Credit Amount

Applicable credit amount for 2026, offsetting estate/gift tax liability until transfers exceed the exclusion

Generation-Skipping Transfer Tax Alignment

The GST tax exemption is automatically conformed to match the estate/gift exclusion, providing significant opportunities for multi-generational wealth planning. Dynasty trusts and skip-person gifts below the increased threshold can now be made without triggering GST tax.

"The permanent \$15 million exclusion represents a material opportunity to establish lasting estate plans that can efficiently transfer wealth across multiple generations with minimal tax impact." - Estate Planning Perspective

Strategic Considerations for Wealthy Clients

- **Review existing estate plans** to ensure they properly account for the higher exclusion amounts and don't contain outdated formula clauses that might now produce unintended results
- **Evaluate generation-skipping planning opportunities**, particularly for clients with significant wealth who wish to benefit grandchildren or more remote descendants
- **Reassess life insurance needs** for estate liquidity, as fewer estates will face federal estate tax liabilities
- **Consider accelerated gifting strategies** to utilize the increased exemption for assets likely to appreciate significantly

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Source: The One Big Beautiful Bill Act (OBBA), Steve Leimberg

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Expanded Individual Deductions and New Tax Benefits

The OBBA introduces several new deductions designed to provide tax relief across various income levels, while making permanent the higher standard deduction established by the TCJA. These changes create significant planning opportunities for taxpayers at all income levels.



Standard Deduction

The enhanced standard deduction becomes permanent and increases further for 2025: \$15,750 for single filers, \$23,625 for heads of household, and \$31,500 for married couples filing jointly, with annual inflation adjustments thereafter.



Senior Deduction

A new temporary \$6,000 deduction for taxpayers age 65+ (and their spouses if filing jointly) applies for tax years 2025-2028. This deduction begins to phase out at \$75,000 MAGI (\$150,000 for joint filers).



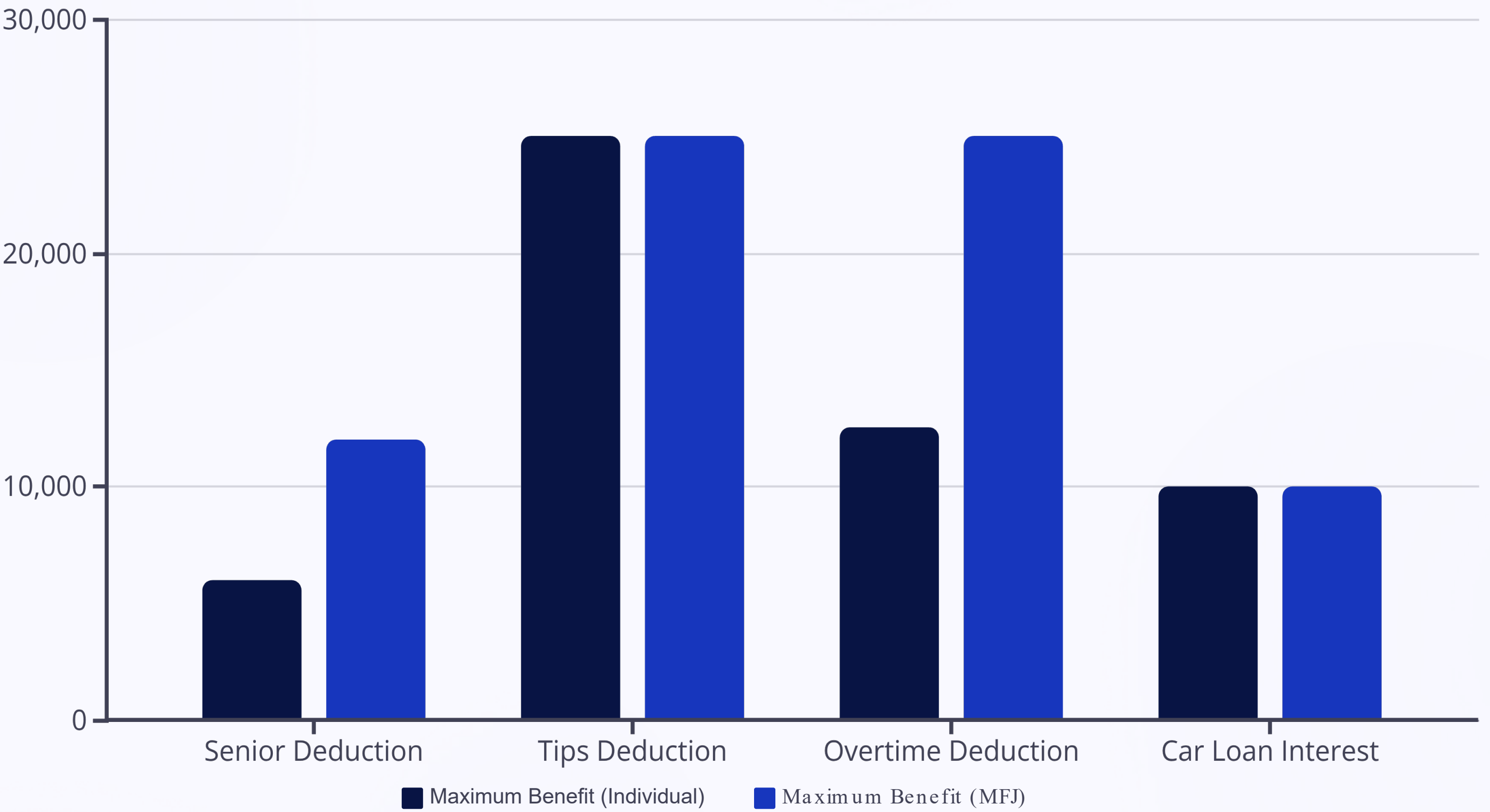
Tips Deduction

A temporary deduction for up to \$25,000 of qualified tips received annually in 2025-2028. Available to employees and nonemployees in occupations that customarily received tips by 12/31/2024. Phases out between \$150,000-\$400,000 MAGI (\$300,000-\$550,000 for joint filers).



Overtime Deduction

A temporary deduction for up to \$12,500 (\$25,000 for joint filers) of qualified overtime pay received annually from 2025 through 2028. Phases out between \$150,000-\$275,000 MAGI (\$300,000-\$550,000 for joint filers).



For high-net-worth clients, these deductions may have limited direct impact due to the income phaseouts, but they can provide significant benefits for adult children, household staff, or business employees. The car loan interest deduction of up to \$10,000 for interest paid on post-2024 loans for new, U.S.-assembled vehicles represents another potential planning opportunity, especially for business owners who may be able to structure vehicle acquisitions to maximize this benefit.

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State and Local Tax (SALT) Deduction Expansion

One of the most significant changes for wealthy clients residing in high-tax states is the temporary expansion of the State and Local Tax (SALT) deduction. The OBBBA increases the SALT deduction cap from \$10,000 to \$40,000 (\$20,000 for married filing separately) for tax years 2025 through 2029, with modest annual indexing during this period.

Key SALT Deduction Changes

- Initial cap increase to \$40,000 for 2025
- Annual 1% indexing through 2029: \$40,400 (2026), \$40,804 (2027), \$41,212 (2028), \$41,624 (2029)
- Reversion to \$10,000 cap in 2030
- Phaseout for high-income taxpayers: 30% reduction of benefit for AGI over \$500,000 (\$250,000 MFS)
- Phaseout floor of \$10,000 (deduction cannot be reduced below this amount)

Impact Analysis

This expansion provides substantial relief for residents of states with high income and property taxes such as New York, California, New Jersey, Connecticut, and Illinois. For a taxpayer paying \$50,000 in state income tax and property tax, this change could unlock an additional \$30,000 in deductions, potentially saving \$11,100 in federal taxes at the 37% marginal rate.

However, the phaseout mechanism significantly reduces the benefit for very high-income taxpayers. For example, a taxpayer with AGI of \$1 million would see their SALT deduction reduced by \$150,000 (30% of \$500,000 excess AGI), effectively eliminating the expanded benefit and leaving only the \$10,000 floor amount.

Planning Opportunity



Consider accelerating state tax payments into years where the expanded SALT cap is available (2025-2029). For example, paying state estimated taxes in December rather than January, or prepaying property taxes where permitted. However, be mindful of AMT implications, as SALT deductions are added back for AMT purposes.

The temporary nature of this provision creates a unique five-year window for strategic tax planning. Wealthy clients may want to consider timing discretionary income recognition and state tax payments to maximize the benefit during this period. Additionally, this expanded deduction may temporarily reduce the relative advantage of relocating to lower-tax states, though the scheduled reversion to the \$10,000 cap in 2030 means long-term tax residency planning remains important.

Illustration only • See assumptions appendix

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Business Tax Provisions and QBI Deduction Permanency

The OBBBA includes substantial provisions benefiting business owners, particularly those operating through pass-through entities such as S corporations, partnerships, and sole proprietorships. These changes create significant opportunities for wealth creation and tax optimization for business-owning clients.

Permanent QBI Deduction

The Section 199A qualified business income deduction is made permanent, allowing eligible pass-through business owners to continue deducting up to 20% of their qualified business income. The phase-in range for W-2 wage/capital investment limits and specified service trade or business (SSTB) restrictions is widened from \$100K to \$150K for joint filers and from \$50K to \$75K for other filers.

Minimum QBI Deduction

A new \$400 minimum deduction (indexed) is introduced for taxpayers with at least \$1,000 in qualified business income from active trades or businesses in which they materially participate. This ensures even small business activities receive some benefit.

Excess Business Loss Limitation

The limitation on excess business losses for noncorporate taxpayers is made permanent. For 2025, losses are disallowed if trade/business deductions exceed income plus \$313,000 (or \$626,000 for joint filers), with amounts indexed annually.

Enhanced Depreciation and Expensing

The OBBBA includes substantial enhancements to business asset expensing and depreciation provisions:

- 100% Bonus Depreciation** is restored for qualified property acquired and placed in service after January 19, 2025, reversing the previous phasedown schedule
- Section 179 Expensing** limits are permanently increased from \$1,000,000 to \$2,500,000, with the phase-out threshold raised from \$2,500,000 to \$4,000,000
- Research & Experimental Expenditures** can be immediately deducted if domestic, while foreign R&E must be amortized over 15 years





Planning Opportunity

For business owners contemplating significant capital investments, the restoration of 100% bonus depreciation creates an advantage to acquire and place qualified property in service after January 19, 2025. This timing could generate substantial tax savings compared to acquisitions under the previous phasedown schedule.

The permanent extension of the QBI deduction is particularly significant for wealthy business owners who might have faced substantially higher effective tax rates after 2025. By making this provision permanent and expanding the phase-in thresholds, the OBBBA preserves a valuable tax benefit that effectively reduces the top marginal rate on qualifying business income from 37% to 29.6% for eligible taxpayers.

However, business owners should note the elimination of the deduction for employer-provided meals after 2025, which increases the after-tax cost of providing meals to employees, even though these meals may still be excluded from employees' taxable income.

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New Trump Accounts and Enhanced Savings Vehicles

The OBBBA introduces several innovative savings vehicles designed to promote long-term wealth accumulation, particularly for children and future generations. These new accounts represent significant planning opportunities for wealthy families looking to establish tax-advantaged assets for their children and grandchildren.

Trump Accounts for Children

A new IRA-like vehicle for minors under age 18, with annual contributions capped at \$5,000 (indexed after 2027). No deductions are permitted before the beneficiary turns 18, and funds cannot be accessed until that age. A pilot program includes a \$1,000 federal seed contribution for eligible children born 2025-2028.

Contributions may come from individuals, employers (up to \$2,500, also excludable from income), or Treasury-funded programs. Special rules allow rollovers to ABLE accounts at age 17 or to other Trump accounts.

ABLE Account Enhancements

Three key provisions for ABLE accounts are made permanent: (1) additional contributions by working beneficiaries up to compensation or poverty line; (2) rollovers from 529 plans to ABLE accounts for the same beneficiary or family member; (3) eligibility for the saver's credit on beneficiary contributions, with increased credit cap starting in 2027.

Expanded 529 Plan Uses

The definition of qualified higher education expenses for 529 plans is broadened to include a wider array of K-12 education costs (with the cap increased from \$10,000 to \$20,000) and postsecondary credentialing and continuing education programs.

K-12 expenses now include curriculum, books, tutoring, online tools, dual enrollment, and educational therapy for public, private, and religious schools. Postsecondary credentialing expenses include tuition, fees, books, testing, and continuing education tied to approved programs.

HSA Flexibility

HSA eligibility is expanded by allowing HDHPs to offer pre-deductible telehealth services, classifying ACA bronze and catastrophic plans as HDHPs, and permitting participation in direct primary care arrangements without disqualifying HSA eligibility.

Strategic Implications for Wealthy Families

The introduction of Trump Accounts presents a significant opportunity for intergenerational wealth planning. Wealthy grandparents and parents can establish these accounts for children and grandchildren, potentially funding them to the maximum annual contribution of \$5,000 per child. Over time, these accounts could grow substantially through tax-deferred compounding.

"Trump Accounts may offer additional options for intergenerational wealth transfer, allowing families to establish tax-advantaged savings for minors that can grow significantly over decades of tax-deferred compounding."

The expanded uses for 529 plans provide additional flexibility for education planning, allowing these tax-advantaged vehicles to cover a broader range of educational expenses from elementary school through continuing professional education. For wealthy families already utilizing 529 plans, these changes enhance the utility of existing accounts and may warrant increased funding.

Illustration only • See assumptions appendix

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Energy Credit Repeals and Economic Impact

The OBBBA takes a significant departure from recent energy policy by repealing numerous green energy tax incentives. These changes align with the administration's energy independence agenda but may have substantial implications for property owners and investors who have been incorporating renewable energy and efficiency improvements into their planning.



Strategic Planning Considerations

- Accelerated Implementation:** Clients considering energy efficiency improvements or renewable energy installations should expedite these projects to complete them before the relevant deadlines
- Electric Vehicle Acquisition:** Those planning to purchase electric vehicles should consider completing these transactions before September 30, 2025, to capture the available credits
- Investment Portfolio Review:** Investors with significant holdings in renewable energy or clean technology sectors should reassess these positions in light of the changing incentive landscape



⚠ Limited Effective Window

The repeal of these energy credits creates a limited window for implementation. High-net-worth homeowners with multiple properties should prioritize energy improvement projects to ensure completion before the applicable deadlines. For residential solar installations, this means having systems fully placed in service before December 31, 2025.

For wealthy clients with multiple properties, these changes may warrant a comprehensive review of planned renovations or improvements to determine if accelerating certain energy-related projects would be advantageous. The elimination of these credits effectively increases the after-tax cost of such improvements after the specified deadlines, potentially altering the economic calculus for these investments.

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Opportunity Zone Reform and Real Estate Implications

The OBBBA introduces enacted reforms to the Qualified Opportunity Zone (QOZ) program, creating a more sustainable and targeted approach to economically distressed area investments. These changes present both challenges and opportunities for real estate investors and developers.

Key Opportunity Zone Changes

- 10-Year Rolling Designations:** Replaces the one-time designation model with recurring 10-year QOZ terms starting July 1, 2026
- Tightened Eligibility Standards:** Narrows eligibility to tracts with $\geq 20\%$ poverty or $\leq 70\%$ of area median income, excluding high-income tracts ($\geq 125\%$ AMI)
- Enhanced Rural Incentives:** Creates "Rural Opportunity Funds" that must invest 90% in areas with populations $< 50,000$ and outside metro zones
- Annual Basis Step-Ups:** Adds annual basis step-ups for deferred gain: 1% (years 1–3), 2% (years 4–5), 3% (year 6); rural QOF investments receive triple step-up
- Mandatory Reporting:** Introduces Forms 6039K (QOF reporting) and 6039L (QOZ business reporting), both required annually

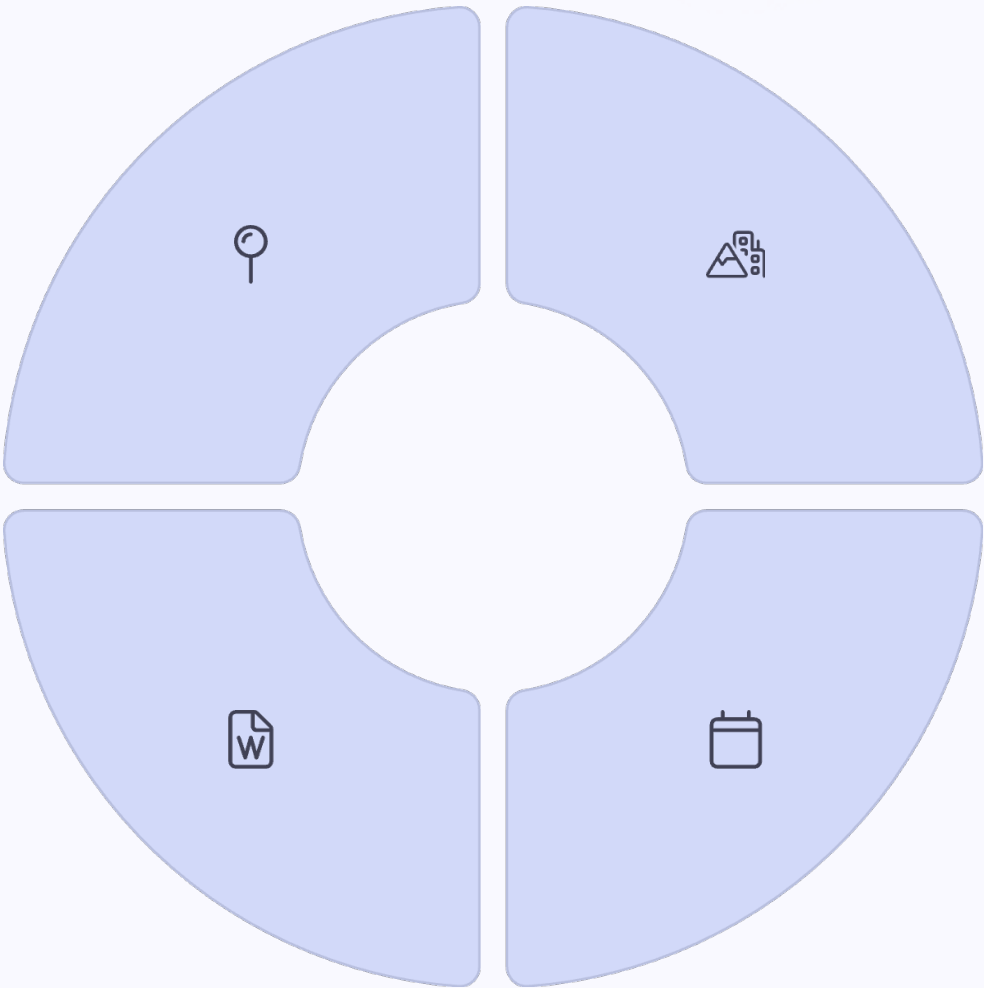


Revised Eligibility

Focusing on truly distressed areas with high poverty rates or low-income levels, excluding gentrified zones.

Enhanced Transparency

New reporting requirements ensure proper program utilization and enable assessment of economic impact.



Rural Emphasis

Triple basis step-up for rural investments and lowered substantial improvement test (50% vs 100%).

Recurring Designations

10-year terms allow for periodic reassessment of qualifying zones based on current economic conditions.

Farmland Sales Installment Election

In addition to the QOZ reforms, the OBBBA introduces a new Section 1062 allowing taxpayers to elect to pay tax on gain from the sale of qualified farmland to a qualified farmer in four equal annual installments. This provision applies to U.S. real property used in farming or leased to a qualified farmer for substantially all of the prior 10 years, and subject to a legally enforceable 10-year post-sale restriction against non-farming use.

Planning Opportunity

For clients with agricultural property holdings, this installment election provides valuable tax deferral when transitioning land to qualified farmers. The provision supports both conservation goals and cash flow management, particularly for land that has appreciated significantly over generations.

The reformed QOZ program and new farmland provisions represent a more targeted approach to geographically-focused tax incentives. Wealthy investors should work with advisors to identify qualifying opportunities under the new parameters, particularly those in rural areas where the enhanced incentives may significantly improve investment economics.

Illustration only • See assumptions appendix

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Estate and Gift Planning: Estate and gift tax outcomes depend on factors such as portability elections, valuation, liquidity, and applicable state inheritance taxes. Results vary based on individual circumstances, and examples provided are for illustrative purposes only.

Qualified Accounts (529, Trump Accounts, ABLE, HSA): Eligibility, contribution limits, and phase-outs are governed by federal law and may vary based on income or account structure. Clients should confirm applicability with a qualified tax advisor prior to implementation.

Business and QBI Provisions: Business examples assume non-Specified Service Trades or Businesses (non-SSTBs) with sufficient wages or qualified business assets (UBIA). Deductions and limits may vary based on business type and taxpayer circumstances.

Energy Credits and Property Investments: Energy-related incentives are subject to repeal timelines and eligibility criteria. Taxpayers should confirm project completion dates and qualification requirements prior to making related investment or improvement decisions.

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Audience-Specific Disclosures

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Methodology & Assumptions (Illustrations)

- Federal calculations only unless noted; state conformity varies.
- Thresholds and phase-outs reflect OBBBA values as summarized; future guidance may change outcomes.
- NIIT and AMT interactions not shown unless stated.
- SALT examples assume permissible timing; AMT add-backs may apply.
- Business examples assume sufficient wages and qualified assets; depreciation subject to recapture.
- Estate/gift examples omit state estate and inheritance taxes.
- Figures are for illustration only and not guarantees or forecasts.