

Key Impacts of One Big Beautiful Bill Act

July 2025

On July 4th, the President signed the One Big Beautiful Bill Act (OBBBA) into law. The sweeping legislation extends the 2017 income tax cuts but, according to the Congressional Budget Office, could cause as many as 17 million Americans to lose health coverage, primarily due to changes in Medicaid and the Affordable Care Act marketplaces. The clarity around tax policy should help with financial and estate planning for families. However, the additional deficit is expected to push the 120% US debt to GDP ratio even higher. Below we summarize some key changes of the law.

Key Provisions for Ultra-High-Net-Worth (UHNW) Families

1. Estate & Gift Tax Exemption Increased

- The federal estate and lifetime gift tax exemption for 2026 is now \$15 million per individual (or \$30 million per married couple), indexed for inflation going forward.
- This locks in the elevated exemption from the 2017 Tax Cuts and Jobs Act (TCJA), avoiding the expected drop to ~\$7 million that was expected in 2026. The law could be changed again by a future Congress.
- **Implication:** Ideal time to accelerate lifetime gifting, fund dynasty trusts, and implement multi-generational wealth strategies.

2. Generation-Skipping Transfer (GST) Tax Exemption Aligned

- The GST exemption for 2026 is now also \$15 million per individual, inflation-adjusted.
- **Implication:** Strengthens the use of dynasty trusts and other long-term planning vehicles for tax-efficient wealth transfer.

3. Trust Income Tax Brackets Made Permanent

- TCJA-era brackets for trust and estate income are now permanent, with annual inflation adjustments.
- **Implication:** Offers predictability for trustees managing irrevocable trusts and helps optimize distribution strategies.

4. SALT Deduction Raised, but Limited Based on Income

- The cap on State and Local Tax (SALT) deductions was raised to \$40,000 from \$10,000 for those with incomes up to \$500,000 through 2029 and will annually increase based on inflation rates.
- **Implication:** Some individuals who have used the standard deduction in recent years may find it more beneficial to itemize in 2025. High earners may still have to rely on tax strategies like pass-through entities to avoid the SALT cap.

5. Charitable Giving Adjustments

- A new rule requires individuals who itemize deductions to meet a 0.5% floor to claim charitable deductions. For corporations, the floor is 1.0%. Notably, these charitable floor provisions apply to taxable years beginning after December 31, 2025.
- **Implication:** May influence some individual and corporate philanthropy and donations from family foundations, especially those using artwork or appreciated assets for donations.

Additional Tax Changes

- **No tax on tips up to \$25,000** (2025 through 2028) for cash tips received by an individual who works in an industry that customarily receives tips with a \$150,000 income limit (\$300,000 if filing jointly)
- **No tax on overtime up to \$12,500** (2025 through 2028) with \$150,000 income limit (\$300,000 if filing jointly)
- **Increases federal income tax standard deduction:** Raises standard deduction to \$15,750 for individuals, \$31,500 for married couples and \$23,625 for heads of households.
- **Endowment Taxes:** Raises the endowment tax rate from 1.4% to as high as 8.0% for the wealthiest private colleges and universities. The top rate applies to institutions with more than \$2 million in endowment assets per domestic, tuition-paying student.

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