CLIENT ALERT JULY 21, 2025

Key Implications of the One Big Beautiful Bill Act for High-Net-Worth Individuals

The recently enacted **One Big Beautiful Bill Act** (the "Act") introduces significant changes to the federal tax landscape, many of which will impact high-net-worth individuals and families. Below is a brief overview of several key provisions and planning considerations:

Increased Federal Estate and Gift Tax Exemption Indefinitely

The Act permanently increases the federal estate and gift tax unified credit for U.S. persons, raising the exemption amount to $15 million per individual (effective January 1, 2026, and annually indexed for inflation after 2026). Although this provision no longer contains an automatic sunset and is indefinite, a future administration could later modify it.

- ***Implication***: Consideration in estate planning should also account for state-level estate taxes (*e.g.*, the New York estate tax exemption in 2025 is $7.16 million). In addition, estate planning can provide benefits beyond estate tax protection, including creditor protection and succession planning.

Notably, **non-U.S. residents who are not U.S. citizens** continue to be subject to U.S. estate tax on U.S. estate tax situs assets with a much lower U.S. estate tax exemption of only $60,000, unless otherwise modified by an applicable estate tax treaty. U.S. estate tax situs assets include U.S. real estate, tangible personal property located in the U.S. and shares in U.S. corporations.

- ***Implication***: Cross-border clients with U.S. situs assets should continue to periodically review their U.S. asset holdings and seek to minimize U.S. estate tax exposure through various estate planning techniques.

Income Tax Rate Stability

The Act also **makes permanent the top marginal income tax rate of 37%**, down from what would have been a top marginal income tax rate of 39.6%.

Charitable Contribution Deductions – Expanded and Adjusted

a. Universal Deduction for Non-Itemizers

Effective for tax years beginning after December 31, 2025, the Act introduces the following **above-the-line charitable deductions** for gifts of cash (including checks, credit card payments, and bank debits) to 501(c)(3) public charities:

- **$1,000** for single filers
- **$2,000** for married couples filing jointly

Note that these deductions would not apply to donations to donor-advised funds or supporting organizations.

- ***Implication:*** The introduction of this provision will allow non-itemizers to receive a charitable contribution deduction up to these stated limits in addition to the benefit of the standard deduction.

b. Itemizer Limit Adjustments

For taxpayers who itemize:

- The Act makes permanent the higher limitation on cash donations to 501(c)(3) public charities, **which is limited to 60% of the taxpayer's Adjusted Gross Income** (AGI). For example, a couple with an AGI of $500,000 would not receive a charitable deduction for cash gifts to public charities in any year over $300,000. However, excess amounts may be carried forward for up to five years.
- Also, a new **0.5% AGI** "floor" applies - meaning only charitable giving exceeding 0.5% of AGI is deductible. For example, a couple with an AGI of $500,000 could only deduct charitable donations made in excess of $2,500. As a result, smaller donations that do not meet the threshold are not deductible.
- **For high-income taxpayers (those in the 37% marginal tax bracket, currently the highest), the tax benefit is capped at 35% of the contribution amount**. For example, for a taxpayer in the 37% tax bracket who makes an allowable charitable donation of $100,000, the actual tax benefit would be capped at $35,000 (35% of the deduction), rather than the $37,000 benefit he or she would have received without the cap.
- **The 35% cap applies to all itemized deductions (not just charitable deductions) for those in the 37% marginal tax bracket**.
- ***Implication***: These changes take effect in the 2026 tax year, so high-income individuals should carefully consider making donations before the end of 2025.

Standard Deduction Enhanced (Permanently)

The Act makes permanent the Tax Cuts and Jobs Act (TCJA)-era increase in the standard deduction and raises those amounts further for 2025 as follows:

- **$15,750** for single filers
- **$31,500** for married couples filing jointly
- **$23,625** for head of household

Before the passage of the Act, the standard deduction was expected to shrink by nearly 50% with the expiration of the TCJA at the end of 2025.

Expanded SALT Deduction (Temporary Relief for High-Tax States)

The Act raises the cap on the federal **State and Local Tax (SALT)** deduction from $10,000 to $40,000, beginning with the 2025 tax year, increasing by 1% annually through 2029. The cap then reverts to $10,000 in 2030.

The full $40,000 deduction is available to individuals with Modified Adjusted Gross Income ("MAGI") not exceeding $500,000 (or $250,000 for married couples filing separately), with a phased reduction as income exceeds those thresholds; above approximately $600,000 MAGI, no incremental benefit remains, meaning taxpayers in this bracket revert effectively to the prior $10,000 cap.

Notably, the Pass-Through Entity Tax (PTET) remains fully intact under the Act, including as to the taxable persons who are eligible to make the election to deduct the PTET as a SALT workaround. This provision means pass-through entities (such as S corporations and partnerships) that pay state-level taxes can still elect to pay PTET and pass the deduction through to their owners.

Qualified Small Business Stock (QSBS) – Partial Gain Exclusion Scaled Back

Under prior law, eligible taxpayers could exclude **up to 100% of gain** from the sale of Qualified Small Business Stock (QSBS) if specific holding and active business requirements were met.

Under the Act, a three-tiered system now applies:

- For QSBS held for at least three years (but less than four years): **50% exclusion**;
- For QSBS held for at least four years (but less than five years): **75% exclusion**, and;
- For QSBS held for at least five years: **100% exclusion**.

Additionally, the maximum capital gain exclusion has been increased $15 million (from $10 million), adjusted for inflation, effective beginning in 2027. The Act also raises the corporate-level gross asset threshold from $50 million to $75 million, adjusted for inflation beginning in 2027.

The expanded QSBS tax benefits under the Act apply to QSBS issued or acquired after July 4, 2025, and to taxable years beginning after such date.

- ***Implication***: Considering gifts to trusts in the context of maximizing QSBS capital gains tax exclusion, referred to as "stacking," may be beneficial.

Qualified Opportunity Zones (QOZs) – Sunset Extension and Increased Investment Incentives

The Act **extends and modifies** the QOZ program created under the TCJA to promote economic growth and development in low-income communities by providing tax incentives for investors who invest new capital through Qualified Opportunity Funds (QOFs).

Under the QOZ program, investors can elect to temporarily defer tax on capital gains if such gain is invested in a QOF within 180 days of realization. In addition, if the investment in a QOF is held for at least five years, there is a 10% exclusion of the deferred gain. If the investment is held for at least seven years, the 10% exclusion is increased to 15%.

The QOZ program was scheduled to expire for new investments on December 31, 2026; however, the Act makes the program permanent, with certain modifications.

Next Steps

Curtis' team will continue to monitor these changes and their implementation. We are available to provide advice related to the Act and to discuss any further estate planning opportunities arising from these changes.

Attorney advertising. The material contained in this Client Alert is only a general review of the subjects covered and does not constitute legal advice. No legal or business decision should be based on its contents.

Please feel free to contact any of the persons listed below if you have any questions on this important development:

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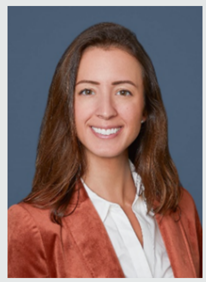

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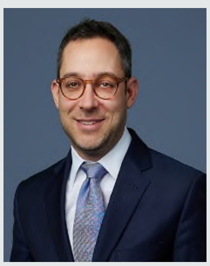

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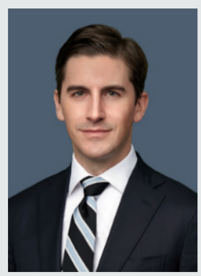

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