

One Big Beautiful Bill Act (OBBBA)

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (OBBBA – H.R.1) into law. Although this major bill makes permanent many of the tax cuts first introduced in the Tax Cuts and Jobs Act of 2017, it is only “permanent” until the next legislation. The bill adds new changes that benefit high-net-worth (HNW) and ultra-high-net-worth (UHNW) individuals and families, making it a great time to review estate, financial and tax plans to leverage the new law. These benefits include lower top income tax rates, larger deductions for business income, higher gift and estate tax exclusions, and a bigger cap on state and local tax (SALT) deductions. For HNW and UHNW individuals and families, the bill creates new opportunities to reduce taxes, grow wealth and pass assets to the next generation more efficiently. It also opens the door for increased charitable giving, as many may now have more after-tax wealth to contribute directly, through donor advised funds, or private foundations. To understand the full impact of the One Big Beautiful Bill Act on HNW and UHNW individuals and families, it’s important to look more closely at the specific changes it introduces.

Reduction in top marginal income tax rates

Reduction in top marginal income tax bracket made

One of the most direct ways the OBBBA benefits HNW and UHNW individuals and families is through the permanent reduction of the top federal income tax rate. The top marginal income tax rate was permanently reduced from 39.6% to 37%, a change that significantly affects high earners. No millionaire’s tax was included in the OBBBA.

Why is this important?

1. Increased after-tax income

Lowering the top marginal rate will result in significant annual tax savings, especially for high earners and those with large investment income or business profits.

2. Enhanced cash flow

The additional liquidity resulting from the annual tax savings can be redirected toward portfolio growth, reinvestment in business(es), gifting to family members, and increased charitable giving.

Larger deductions for business income

Business income deductions continued

Benefiting owners of pass-through entities, Section 199A or qualified business income (QBI) deductions will no longer expire, maintaining the 20% deduction (subject to phase-outs).

Example: An individual earning \$2.5MM in qualified income through multiple LLCs can deduct \$500K (20%), thus lowering taxable income.

What does continuance of the QBI deduction impact?

1. Income phase-out limits are expanded, permitting more high-income earners to qualify for the deduction without complex structuring.
2. Pass-through entities and trusts may continue to be used to separate business income from personal earnings and optimize overall tax positions.
3. Reducing the effective tax rate on businesses creates an opportunity for business owners to reinvest more profits into their businesses, philanthropy or other estate planning vehicles.

Higher estate tax exclusions

Key changes to the federal estate and gift tax exclusions

The OBBBA provides a major advantage to HNW and UHNW individuals and families by increasing the federal estate and gift tax exclusions.

Year	Per Individual Exclusion	Married Couple Exclusions
2025	\$13.99MM	\$27.98MM
2026	\$15MM (Inflation indexed)	\$30MM (inflation indexed)

This increase means that more assets can be passed on or gifted to family members and it allows for the greater use of advanced planning tools such as charitable trust planning, grantor retained annuity trusts and other irrevocable trusts. What does permanently raising the exclusion affect?

1. More assets are exempt from estate tax

Estates up to \$15MM per individual (\$30MM per married couple) will be able to be conveyed without incurring federal estate or gift tax. The increased exclusion reduces a family's potential estate and gift tax exposure, thus allowing for more wealth to transfer to heirs.

2. Relief is permanent

Beginning in 2026, the federal estate and gift tax exclusions are permanent and will be indexed for inflation. Passing the OBBBA avoids the previously scheduled sunset of the federal estate and gift tax exclusion to roughly \$7MM per individual.

3. More opportunities

Just as reducing the top marginal income tax bracket has benefits, so does increasing the estate and gift tax exclusion. HNW and UHNW individuals and families may use the increase to enhance their gifting strategies and trust funding.

Higher cap on State and Local Tax (SALT) deductions

Federal cap on State and Local Tax (SALT) deductions raised significantly

Until now, individuals were limited to deducting a maximum of \$10,000 in combined state income and property taxes on their federal return. This cap has been increased to \$40,000.¹ What are some implications?

1. **Improves tax efficiency:** Reduces taxable income at the federal level, which is particularly helpful for those living in high income tax states such as California, Connecticut, Illinois, New Jersey and New York,

¹ Phaseouts of this cap amount will occur for certain higher income taxpayers.

as well as states with high property taxes. This provides relief in those states by narrowing the tax disadvantage compared to lower tax states such as Florida, Nevada, Tennessee and Texas.

2. **Supports real estate ownership:** Makes high-priced homes and vacation properties more tax-efficient by allowing larger tax deductions.
3. **Strategic tax planning:** Consider reevaluating residency, domicile and real estate holdings since SALT deductions can materially affect federal tax liability.

SALT deduction cap comparison

Filing Status	Pre-OBBA Cap (2018-2024)	OBBA Cap* (2025 - 2029)
Single	\$10,000	\$40,000
Married Filing Jointly	\$10,000	\$40,000
Married Filing Separately	\$5,000	\$20,000

*Beginning in 2026 the cap will be indexed for inflation by increasing the cap by one percent annually through 2029, and reverting back to \$10,000 in 2030.

Section 1202 – Qualified Small Business Stock (QSBS)

Further encouraging investment in startups, expanded benefits for QSBS acquired after July 4, 2025:

1. **Higher gain exclusion**

Maximum tax-free gain per shareholder increases from \$10M to \$15M, indexed for inflation.

2. **Phased holding period**

- 50% exclusion after 3 years
- 75% after 4 years
- 100% after 5 years
(Replaces the previous 5-year cliff).

3. **Expanded eligibility**

The qualifying corporation asset cap rises from \$50M to \$75M, also inflation-adjusted.

Entrepreneurs should seek advice on choice of entity as these benefits only apply to C corporations.

Opportunity Zones – Key Enhancements

Qualified Opportunity Zone (QOZ) program will be updated July 1, 2026, with:

1. **Rolling 10-year designations**

State governors may nominate new zones every 10 years, with each designation lasting a decade.

2. **Updated property eligibility**

Stricter requirements for properties to be designated as QOZs.

3. **Rolling gain deferral**

For post-2026 investments, deferred gains are recognized five years after the date of the investment, not on a fixed date.

4. **10% basis step-up**

Investors receive a permanent 10% basis increase after five years. (The prior 5% step-up at year 7 is eliminated.)

5. **Rural zone incentives**

Enhanced benefits apply to investments in qualified rural opportunity funds; the basis step-up for qualified rural QOZ is 30% rather than 5%.

Philanthropy

Charitable giving impacted

There are several notable modifications to the federal tax treatment of charitable contributions. These provisions may influence the timing, structure, and deductibility of philanthropic gifts for both individuals and corporations.

1. **Above-the-line deduction for non-itemizers**

Effective in 2026, taxpayers who claim the standard deduction will be permitted to deduct a limited amount of charitable contributions “above the line”. This does not include contributions to donor advised funds.:

- Up to **\$1,000** for individual filers
- Up to **\$2,000** for married couples filing jointly

Example: A married couple who does not itemize and contributes \$1,500 to a qualified charity may deduct the full amount, subject to the \$2,000 cap. But a married couple who does not itemize and contributes \$4,000 may only deduct \$2,000 – the cap.

2. **Floor for itemized charitable deductions**

Beginning in 2026, itemized charitable deductions will be subject to a minimum threshold:

- **0.5% of Adjusted Gross Income (AGI)** for individuals
- **1% of taxable income** for corporations

Only the portion of charitable contributions exceeding these thresholds will be deductible.

Example: An individual with \$600,000 in AGI would be required to exceed \$3,000 ($0.005 \times 600,000$) in charitable giving before any deduction is allowed. Their \$10,000 contribution would only result in a \$7,000 deduction.²

3. **Cap on deduction for high-income donors**

For taxpayers in the highest federal income tax bracket (currently 37%), the value of all itemized deductions, including charitable deductions, will be capped at 35%, reducing the tax benefit of charitable giving for high-income individuals.

Example: A donor in the 37% bracket who contributes \$100,000 to charity would receive a maximum tax benefit of \$35,000, rather than \$37,000 under prior law.

² The value of the deduction also would be limited to a 35% reduction in tax for those paying tax at the highest marginal rate. See no. 3.

4. Permanent Extension of the 60% AGI Limit for Cash Gifts

The 60% AGI limitation for cash contributions to public charities, originally enacted under the Tax Cuts and Jobs Act of 2017 and previously set to expire, has been made permanent.

Example: A taxpayer with \$500,000 in AGI who contributes \$350,000 in cash to a public charity may deduct up to \$300,000 (60% of AGI) in the current year. The remaining \$50,000 may be carried forward for up to five years.

Notable provisions within the OBBBA

Provision	Pre-OBBBA	OBBBA
Individual Tax Rates	2017 tax rates were set to expire at the end of 2025	Tax rates (highest at 37%) were made permanent
Standard Deduction	\$15,000 (single); \$30,000 (joint) for 2025	\$15,750 (single); \$31,500 (joint) for 2025
Mortgage interest deduction	Mortgage deductions were set to expire and revert to pre-TCJA level at the end of 2025.	\$750,000 maximum made permanent
Itemized deduction limitation	Itemized deductions are fully deductible in all tax brackets	itemized deductions are capped at 35% for those paying tax at the highest marginal rate (37%)
Green energy credits (e.g., EVs and solar)	Tax credits introduced in the 2022 Inflation Reduction Act	Eliminated at the end of 2025
Estate and gift tax exclusion	\$13.99MM (single); \$27.98M (joint) for 2025	\$15MM (single); \$30MM (joint) for 2026; made permanent; indexed for inflation
State and Local Tax (SALT) deduction	\$10,000 limit through 2025	\$40,000 limit for 2025; increases by 1% annually through 2029, reverts to \$10,000 in 2030.
Child Tax Credit (CTC)	Max credit of \$2,000 per child through 2025; refundable portion \$1,700 for 2025	Max credit of \$2,200 per child; refundable portion \$1,700 for 2025 (subject to phaseouts).
Tips	N/A	Deduction up to \$25,000 per year, 2025 through 2028 (subject to phaseouts).
Overtime Pay	N/A	Deduction up to \$12,500 per taxpayer; 2025 through 2028 (subject to phaseouts).
Pass-through (199A) deduction	Deduction up to 20% of Qualified Business Income (QBI)	20% Qualified Business Income (QBI) deduction made permanent
Bonus depreciation	40% bonus depreciation	100% bonus depreciation from January 19, 2025, made permanent
Research & Development	Five-year amortization for domestic R&D	Full expensing restored, made permanent

Sources: Wells Fargo Investment Institute, Bloomberg and CNBC (as of July 8, 2025)

*Some provisions phase out at various income levels; consult your advisor. Also keep an eye on whether your state conforms to the federal changes or opts out (decouples).

The One Big Beautiful Bill Act may bring major tax savings for HNW and UHNW individuals and families. With a reduction in top marginal income tax rates and larger deductions available for business owners, and with increased estate tax exclusions and much larger SALT deductions, wealthy individuals and families may have more disposable income and be able to pass on more of what they earn. These changes make it a great time to review estate, financial and tax plans to leverage the new law, especially since we can't predict how the law may change in the future.

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