ArchBridge
Family Office

The One Big Beautiful Bill

Signed into law by President Trump on July 4, 2025, the "One Big Beautiful Bill" (OBBB) represents the most consequential piece of tax legislation passed by Congress since 2017's Tax Cuts and Jobs Act (TCJA).

The OBBB stands out for its size and scope (almost 900 pages) and its sweeping impact on both income and estate taxes for the foreseeable future. It also provides much-desired clarity for long-term estate and income tax planning.

To better understand what these changes mean in practice, we've compiled a list of the OBBB's most notable tax provisions and their impact on high-net-worth taxpayers.

Permanent Extension of Many TCJA Income Tax Provisions

For the last few years, it's been an open question whether many of the income tax changes set forth in the TCJA would be allowed to sunset in 2025. The OBBB answers this question by making most key provisions permanent, including:

- The TCJA's increased standard deduction is made permanent, and 2025 figures rise to $15,750 for single filers and $31,500 for married couples (indexed for inflation).
- The 20% Qualified Business Income (QBI) deduction is permanently extended.
- 100% Bonus Depreciation for eligible property is renewed and made permanent for property placed in service after January 19, 2025.
- Miscellaneous itemized deductions subject to the 2% floor are permanently eliminated.
- The itemized deduction for mortgage interest remains limited to interest paid on the first $750,000 of mortgage debt.
- The increased Alternative Minimum Tax (AMT) exemptions of $500,000 for single filers and $1,000,000 for married couples filing jointly are made permanent.
- The Excess Business Loss limitation ($313,000 for single filers and $626,000 for married couples filing jointly) is made permanent in its current format and indexed for inflation. Carryovers retain their treatment as Net Operating Losses.

Permanent Increases to the Estate/Gift and GST Exemptions

The OBBB permanently increases both the Estate & Gift tax exemptionand the GST exemption to $15,000,000 per taxpayer (indexed for inflation), and $30,000,000 for a married couple. This avoids the anticipated 2025 sunset of the TCJA exemption amounts, which would have reduced the 2026 exemption to approximately $7,000,000 per taxpayer. Taxpayers who had previously utilized their full exemption now also have another $1,000,000 exemption available for planning purposes.

The permanence of this change provides sought after stability for estate planning purposes. Taxpayers can now plan their estates with significantly less risk of a reduced exemption disrupting their strategy in the future.

Increased State and Local Tax (SALT) Deduction

One of the most contentious provisions from the TCJA was the $10,000 limitation imposed on the State and Local Tax (SALT) deduction. Residents of many high-tax states had advocated for this provision to be eliminated or allowed to expire as planned at the end of 2025.

Instead of eliminating the limitation, the OBBB provides partial relief by increasing the SALT deduction limitation to $40,000 for the 2025-2029 tax years (increased by 1% annually), subject to certain constraints:

- The increased deduction begins to phase out at $500,000 of Modified Adjusted Gross Income (MAGI) and is reduced to $10,000 for taxpayers with MAGI exceeding $600,000 (thresholds indexed for inflation).No additional benefit is available for married couples filing jointly, and the deduction and phase outs are halved for married taxpayers filing separately.
- The limit reverts to $10,000 for all taxpayers in 2030.

Notably, the Federal “Pass Through Entity Tax”(PTET)deduction was preserved in its current format by the OBBB despite proposed modifications in both the House and Senate. As a result, state-level pass though entity taxes still allow business owners to effectively bypass the $40,000 limitation and provide a valuable planning opportunity.

Charitable Contributions

Beginning in 2026, the OBBB institutes several meaningful changes to the charitable contribution deduction:

- The itemized charitable contributions deduction is reduced by 0.5% of a taxpayer’s Adjusted Gross Income (AGI).
    - A taxpayer with $1,000,000 of AGI would thus see their charitable deduction reduced by $5,000 ($1,000,000 * 0.5%).
- The 60% AGI limitation for cash gifts is renewed and made permanent. The limit pre-TCJA was 50%.
- Taxpayers who do not itemize may deduct charitable gifts subject to certain limits:
    - Single filers: $1,000
    - Married couples filing jointly: $2,000

As a result of the above, taxpayers will need to be more strategic with their donations than in the past. Depending on a taxpayer’s income level, it may make sense to accelerate planned 2026 gifts into the 2025 tax year (before the 0.5% of AGI limit applies), or bunch future charitable gifts into a single tax year to maximize their benefit.

Limitation on Itemized Deductions

Beginning in 2026, the OBBB institutes a "2/37th" limitation on the itemized deductions of taxpayers with income in the 37% tax bracket, reminiscent of the former Pease limitation, which was formally repealed by the bill.

In effect, this limitation prevents itemized deductions from fully offsetting the tax due on income in the 37% tax bracket. For example, a $100,000 itemized deduction will offset at most $35,000 of tax in 2026, compared to $37,000 in 2025.

A New Normal

In summary, the OBBB creates a new, stabilized planning landscape for high-net-worth individuals and their families. Permanent increases to the Estate and GST exemptions allow new opportunities for strategic wealth transfers, and the extension of many key TCJA provisions creates a favorable income tax environment for the foreseeable future (despite new limitations on several key deductions). As with any significant piece of tax legislation, further guidance and regulations are to be expected, and we will continue to learn more about the full impact of the OBBB as time goes on.

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