



# **“One Big Beautiful Bill Act.”**

Proactive planning is still prudent.

# **The 2024 election cycle in the first half of 2025 brought political noise around many economic issues including tax law reform. This created uncertainty for taxpayers and planners alike.**

The anticipated expiration of the Tax Cuts and Jobs Act of 2017 (TCJA), originally scheduled to occur at the end of 2025, added pressure for advisors trying to help clients make good tax-planning decisions. There is long-awaited clarity now that the “One Big Beautiful Bill Act” (OBBBA)<sup>2</sup> was signed on July 4, 2025.

The nearly 900-page act introduces changes that will impact individuals, estates, businesses, and investors across all wealth levels. Despite its length and breadth, many tax professionals are of the opinion that while there are meaningful changes that extend or make permanent laws expiring laws, a true “tax reform” was not achieved. Rather, permanency is potentially only as fixed as the next election cycle or presidential administration.

What we know at this time is that the OBBBA, in many ways, is a continuation of tax laws already in place. Tax experts are still evaluating how the new laws will be interpreted by the IRS and Treasury.

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**While new wrinkles will give rise to new opportunities, most taxpayers and advisors should be acting as they always have when it comes to tax planning ... be proactive!**

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<sup>2</sup> U.S. Congress, “One Big Beautiful Bill Act of 2025,” H.R. 1, 119th Cong. (2025). Public Law No. 119-21.

# Estate and gift tax.

We now know that estate and gift tax laws are permanent with no scheduled sunset. There is no new wealth tax on unrealized gains. Rather, the current exemption for 2025 remains in place, and starting in 2026, the federal estate and gift tax and generation-skipping tax exemptions increase to \$15 million per person, \$30 million per married couple, inflation adjusted.

## WHAT IT MEANS

There is some certainty for those at or approaching taxable estates. Smaller estates can focus on income tax planning and techniques to preserve step-up in basis at death. Leveraging annual exclusion gifts, \$19,000 per person for 2025, will help achieve estate tax-free growth at all wealth levels.

High-net-worth families continue to benefit from meaningful estate planning and multigenerational wealth transfer opportunities. Popular estate freeze techniques are more relevant than ever. Some of these include:

- **Grantor retained annuity trusts (GRATs).** GRATs can provide tax-free gifting for beneficiaries along with cash flow in the form of annuities back to the grantor.
- **Spousal lifetime access trusts (SLATs).** SLATs allow married couples to make efficient use of the lifetime gift-tax exemption while retaining access to income and principal if the need arises.
- **Reverse qualified terminal interest property (QTIP) election.** This complex technique, if properly built into a married couple's estate plan, can minimize exposure to estate tax and give a step-up in income tax basis at both first and second deaths.

Gift planning is particularly powerful for taxpayers residing in the District of Columbia or one of the 17 states that maintain separate death taxes. Be aware that certain states, most notably California, Connecticut, Hawaii, Illinois, Maryland, New York, and Washington, continue to look at expansions to their estate tax laws.

Finally, keep an eye on the adjusting interest rates as the Federal Reserve continues to battle inflation. Interest rates are key factors in the gifting process.

# \$19,000

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# Individual income tax.

The OBBBA creates a hybrid of pros and cons. There is permanency to TCJA provisions, yet a pullback of certain credits and deductions. The result is some relative stability in the individual income tax landscape, though complexities remain.<sup>2</sup>

**Tax brackets:** The lower individual and trust income tax rates (10% to 37%) are now permanent. Meanwhile, the 10% and 12% tax brackets were widened while the 22% bracket was narrowed. The standard deduction remains in place with an immediate increase for 2025.

**Alternative minimum tax (AMT):** AMT thresholds revert to pre-2018 levels but maintain higher exemptions.

**Personal exemption and the senior deduction:** While the personal exemption is permanently set to \$0, a new exception is created for seniors 65 or older. They will benefit from a \$6,000 deduction for 2025-2028, phased out for MAGI above \$75,000 individual/\$150,000 MFJ.

## Itemized deductions and credits

**Miscellaneous deductions:** An overall limitation on allowable itemized deductions is introduced, but it only applies to earners reaching the 37% tax bracket. For such earners, the value of their deductions is effectively capped at 35 cents on the dollar, beginning in 2026.

**State and local tax (SALT):** This highly debated deduction was raised, temporarily through 2029, to \$20,000 individual and married filing separately/\$40,000 for MFJ, with modified gross income (MAGI) phasedowns for high-income earners can reduce deductions back to \$10,000.

**Mortgage interest deduction:** The mortgage interest cap on debt up of \$750,000 is made permanent.

**Car loan interest deduction:** A new, temporary deduction through 2028, (up to) \$10,000 deduction on U.S.-built personal autos, was enacted.

**Green energy credits:** Many provisions were rolled back or eliminated.

### WHAT IT MEANS

We see trends unfolding over the next few years. Taxpayers in lower brackets will see a slight reduction in taxes. Itemizing of deductions will become slightly less common. The basic principles of year-end tax savings continue to be relevant. We encourage you to be proactive in 2025 by looking at the ability to defer income and/or deduction bunching strategies to help “hurdle” the higher standard deduction. This is particularly important for high earners in the 37% tax bracket who will be negatively impacted by the new deduction caps in 2026.

We recommend working with your CPA to determine whether you will benefit from the same itemized deductions you qualified for in the past or potentially new deductions. For example, depending on your individual analysis, consider paying off your home equity line of credit (HELOC) or part of your mortgage, since you may lose interest deduction benefits. Positively, for senior married couples under \$150,000 MAGI, there is \$46,600 in deductions available without itemizing. We believe some taxpayers will qualify for itemized deductions for the first time, particularly in high-tax states. Further, the SALT deduction will continue to be a point of contention beyond 2029. In the short term, high earners will phase out quickly.

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<sup>2</sup> D. Bunn, A. Muresianu, W. McBride, “The Good, the Bad, and the Ugly in the One Big Beautiful Bill Act,” Tax Foundation, July 9, 2025.

It's important to contemplate additional planning, such as cash management (lending/borrowing), annual gifts, completing charitable plans, integrating life insurance, reviewing current trusts, or considering new trusts. If Americans experience a lower tax bill, many will be given an opportunity to save more for retirement, future goals, or charity. The OBBBA laws may impact Roth conversion decisions. And finally, remember, tax-loss harvesting is a year-round process because long-term capital gains continue to have a top tax rate of 23.8%. Plan to match capital gains with capital losses to shield your capital gains tax exposure. Find ways to reduce net investment income (i.e., offset margin interest with short-term capital gains).

## Charitable deductions

The allowable deductions of up to 60% of AGI for cash donations and 30% for non-cash donations to public charity remain. But a new charitable deduction floor of 0.5% of AGI and deduction caps creates new wrinkles. The OBBBA also introduces a new above-the-line deduction for cash gifts direct to charity of up to \$1,000 per individual/\$2,000 MFJ, along with a new \$1,700 scholarship credit for contributions to qualified scholarship-granting organizations.

### WHAT IT MEANS

If charitably inclined, planning opportunities exist. Deductions are available even for the most modest givers. High earners will be negatively impacted on the new AGI floor and deduction caps, though bunching charitable donations into the current year could help overcome the AGI floor. Qualified charitable distributions (QCDs) from IRAs and other charitable planning techniques, such as donations of appreciated stock, charitable trusts, donor-advised funds, private foundations, and gifts of vehicles after useful life, are still powerful concepts.

## Family and education provisions

It was expected that key provisions like the child tax credit, child/dependent care credit, and dependent care FSA would be locked by the OBBBA. In all cases, there are increases to annual limits and/or MAGI phaseouts. The expansion to 529 plans, both in the categories of broader use of funds and maximum annual distribution for K-12 expenses (from \$10,000 to \$20,000), was good to see.

There is buzz around "Trump Accounts," the new tax-exempt youth retirement vehicle for children under 18 years old. This allows parents to make annual contributions of \$5,000 (with a \$1,000 newborn credit match for children born 2025-2028), which converts to a traditional IRA at age 18.

### WHAT IT MEANS

Overall, for the credits that previously existed, the increase to limits will allow for greater benefit to many taxpayers, particularly lower- to middle-income families. Expansion to 529 plans will help higher earners provide tax-efficient support to children and family members to offset the extreme costs of education. With the Trump Accounts, there is a wait-and-see viewpoint as contributions cannot begin until July 2026, and financial institutions have yet to create a process or ability to sign up and support them.

# Business and corporate taxes.

The OBBBA's small business and corporate tax changes are being viewed as a step toward long-run economic growth, but some permanent deductions will negatively impact revenue generation.<sup>3</sup> The law solidified the following key tax provisions:

1. **Locking lower corporate tax rates.** Previously enacted in the TCJA.
2. **Section 1202 qualified small business stock (QSBS) election.** This benefit is expanded with shorter holding periods, gain exclusions ranging from 50%-100% over five years, and a maximum lifetime gain exclusion increase to \$15 million.
3. **Section 199A qualified business income (QBI) deduction.** Up to 20% of QBI for qualifying pass-through businesses is made permanent with broader eligibility thresholds.
4. **100% bonus depreciation.** Also made permanent for property placed in service after January 19, 2025.
5. **Section 179 expense limitation.** Is increased to \$2.5 million for property placed in service after December 31, 2024.
6. **Domestic research and development (R&D).** Qualified expenses are immediately deductible with retroactive relief for small businesses going back to 2021.
7. **Qualified Opportunity Zones (QOZ).** These are made permanent. These benefits, which include a 10-year rolling deferral and/or reductions, are extended starting in 2026.

## WHAT IT MEANS

The new laws memorialize and/or expand many TCJA provisions. This provides opportunity for small businesses, startup C corporations, and their stockholders to qualify for meaningful tax breaks. This is particularly true for domestic companies that are incentivized more than international businesses.

Since many of these deductions were already in existence, planning will be much of the same. However, many of these expanded credits and deductions can bring even more of a meaningful impact for small business owners compared to the past. Wealthier taxpayers will look to leverage tax reduction and deferral opportunities through QOZ investments, particularly in times of larger liquidity events. Regardless of wealth level, the laws should stimulate investment in real estate and research and development.

Ultimately, small business owners should be planning closely with their internal and external financial teams to determine limitations as well as how to optimize tax benefits. They should be aware of how proper entity selection can qualify them for breaks. They should evaluate available business credits, such as for childcare facilities, R&D tax credit, rehabilitation of buildings, or paid family and medical leave. They should understand which expenses can (healthcare insurance or meals for business purposes) and can't (entertainment and membership dues for entertainment) be run through the business.

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<sup>3</sup> *Ibid.*

# Advisor next steps and opportunities.

While the “One Big Beautiful Bill Act” may not make monumental changes to our tax landscape, it does introduce a number of nuances that can showcase an advisor’s value through proactive tax planning. Use these talking points to initiate thoughtful conversations with your clients and prospects.

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 <b>Clients 65 and older</b>	Review eligibility for the new “Enhanced Senior Deduction” of \$6,000 per person, beginning in 2025. Consider if the increased deduction creates an opportunity for Roth Conversions, capital gain harvesting, or to ease the tax burden of a portfolio transition. On the other hand, be mindful that these income-accelerating activities may phase clients out of the deduction.
 <b>Charitably inclined clients</b>	Discuss timing with clients who plan on making large gifts. If they itemize deductions, charitable giving can have more value this year, before an AGI floor and itemized deduction cap begin in 2026. If they take the standard deduction, beginning next year, they will be eligible for up to a \$2,000 charitable deduction if giving cash directly to charity.
 <b>Clients in high-tax states</b>	Determine if clients who have become accustomed to taking the standard deduction will now take itemized deductions as a result of the increased SALT cap. Such clients may be eligible for an additional \$30,000 in deductions for the next few years, so plan accordingly! The deduction may again be used to offset tax-efficient maneuvers such as Roth Conversions, gain harvesting, etc.
 <b>Clients planning for education costs</b>	Reach out to clients contributing to or maintaining 529 plans. Will the increased limit for K-12 expenses provide an incentive to fund an account? Or an opportunity to utilize an otherwise overfunded 529? Inform clients that 529s can now be used for ancillary K-12 expenses such as books, testing fees, and tutoring fees, in addition to tuition. Expansions also include expenses for professional credentials and apprenticeships.
 <b>New and young parents</b>	Ensure clients with young children are taking advantage of expanded or increased benefits. Those contributing to Dependent Care FSAs can increase contributions from \$5,000 to \$7,500. New parents of children born in 2025-2028 can claim a \$1,000 government credit by opening a Trump Account. Share the good news that there is a slight increase to the child tax credit.
 <b>Get personal</b>	Be sure clients are taking advantage of more targeted tax breaks. Clients earning tip or overtime income, buying a home or vehicle, or incurring large business expenses, all may be eligible for new benefits.

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**Conversations now are critical for effective tax planning, while action can still be taken before year-end.**

# Final thoughts.

The OBBBA solidifies proactive tax planning opportunities, particularly over the next five years, for taxpayers to evaluate their personal and business tax matters.

Many provisions favor long-term strategies. Since some provisions are time sensitive, collaboration across your entire advice team is critical. We encourage you to be proactive by engaging with your CPA to get updated tax projections and confirm your estimated payment schedule is still accurate. Your tax accountant can identify techniques that may provide tax savings to you in 2025 and beyond.

**Please contact us today for further guidance.**

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