Chilton Trust

KEY TAKEAWAYS FROM THE *ONE BIG BEAUTIFUL BILL ACT*

The One Big Beautiful Bill Act (the "Act") was signed into law on July 4, 2025. This new legislation is designed to extend and enhance most tax provisions of the 2017 Tax Cuts and Jobs Act ("TCJA"), some of which have been made permanent and others of which will only remain in force for several years. Many of the provisions reflect the tax policy themes previously emphasized during President Trump's campaign.

Based on many of the conversations we've had with of our clients, below is a summary of the key provisions of the Act that we think will be most impactful.

Individual Income Taxes

Tax Rates

The Act makes permanent the tax brackets and rates that were introduced under the TCJA. The top individual income tax rate remains 37%, and the top long-term capital gains and qualified dividend rate hold steady at 20%, plus the 3.8% Net Investment Income Tax for those whose income exceeds certain thresholds.

Standard Deduction

The increased standard deduction originally introduced by the TCJA also becomes permanent. For 2025, the standard deduction amounts will be $31,500 if married filing jointly, $15,750 for single filers, and $23,625 for heads of households.

State and Local Tax (SALT) Deduction Cap

Under the Act, the maximum income tax deduction that can be claimed for state and local taxes paid was increased to $40,000 ($20,000 if married filing separately) beginning in 2025 but the increase comes with a few limitations:

- The increased deduction amount over $10,000 will be phased out for taxpayers with adjusted gross income ("AGI") over $500,000 ($250,000 if married filing separately);
- The maximum deduction amount and AGI threshold will be increased by a flat 1% annually instead of future rates of inflation;
- The increased deduction amount will only be available through tax year 2029.

Charitable Deductions

Beginning in 2026, those who itemize deductions will only be able to deduct charitable contributions in excess of 0.5% of their AGI. The TCJA provision that increased the deductibility of cash donations to public charities (which includes donor advised funds) to 60% of the taxpayer's AGI has been made permanent. Those who do not itemize can deduct $1,000 if filing as a single taxpayer or $2,000 if filing jointly for charitable deductions.

Mortgage Interest Deduction

The $750,000 limit on mortgage debt eligible for the interest deduction was made permanent. There remains no deduction for Home Equity Lines of Credit.

Miscellaneous Itemized Deductions

The Act permanently suspends miscellaneous itemized deductions such as tax preparation fees, investment expenses, safe deposit box expenses, and unreimbursed employee expenses (except qualifying educator expenses).

Overall Limitations on Itemized Deductions

Starting in 2026, the Pease limitation which reduced itemized deductions for high income taxpayers is permanently repealed but a new limitation is introduced: high-income taxpayers will now face a reduction of their total itemized deductions by the lesser of (a) $2/37^{ths}$ of their total itemized deductions; or (b) $2/37^{ths}$ of the amount by which their taxable income exceeds the top income tax bracket threshold.

Other Items of Note

The Act eliminates many existing tax credits for various initiatives related to "clean" or "green" energy or efficiency improvements effective in coming months or years: credits for electric vehicles are repealed for acquisitions after September 30, 2025, the credit for energy efficient home improvements is repealed after December 31, 2025, the credit for new energy efficient commercial buildings is repealed for all homes acquired after June 30, 2026, and the credit for qualifying wind energy projects is repealed after 2027.

Gift and Estate Taxes

The lifetime gift and estate tax exemption amount is increased to $15,000,000 per individual ($30,000,000 per married couple) as of January 1, 2026. The exemption will be indexed for inflation beginning in 2027. The lifetime Generation-Skipping Transfer tax exemption amount will continue to mirror the gift and estate tax exemption at $15,000,000 per individual, subject to inflation adjustments after 2026. These changes were made permanent and will not sunset.

Tax-Advantaged Savings via 529 Plans and "Trump Accounts"

The Act makes 529 savings plans more flexible, increasing the annual withdrawal limit for purposes of K-12 expenses from $10,000 to $20,000 and allowing accounts to be used for non-tuition expenses such as tutoring and test prep. The Federal government will fund tax-deferred savings vehicles called "Trump accounts" with $1,000 for each child born in 2025 through the end of 2028. Families may add up to $5,000 a year to the accounts, which can be used to fund a home purchase, a business investment and/or education for the beneficiary.

Qualified Small Business Stock ("QSBS") Exclusion

The holding period for the QSBS exclusion is reduced from five years to three, and the maximum gain exclusion increased from $10,000,000 to $15,000,000. The new legislation also broadens the scope of which businesses are eligible for QSBS treatment.

We would encourage you to reach out to a tax professional before making any decisions based on this act. If you have further questions, please do not hesitate to reach out to your Chilton Trust team. We are available to discuss any concerns regarding the new tax legislation, how it may affect you, and potential planning opportunities. As always, thank you for your continued trust.

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For further insight on transfer planning and strategy, contact one of our experienced wealth advisors or explore our content library here.

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