July 21, 2025

One Big Beautiful Bill: Key Provisions That May Affect You

On July 4, 2025, the President signed the One Big Beautiful Bill Act (OBBBA) into law. This comprehensive legislation extends many tax provisions that were set to expire at the end of 2025 and makes changes impacting estate planning, state and local tax deductions, and investment incentives. Below are three significant updates relevant to many of our clients.

Federal Gift, Estate, and GST Exemptions Increased and Made Permanent

The Tax Cuts and Jobs Act (TCJA) of 2017 effectively doubled the lifetime individual gift, estate, and generation-skipping transfer (GST) tax exemption available to U.S. citizens and domiciliaries—from $5 million adjusted for inflation to $10 million adjusted for inflation. The exemption increased from $5.49 million in 2017 to $11.18 million in 2018 and has climbed steadily since then, reaching $13.99 million in 2025. However, the doubled exemption was set to expire on January 1, 2026.

The OBBBA increases and permanently extends the higher exemption amounts, setting them at $15 million per person beginning in 2026, adjusted for inflation starting in 2027. A married couple will be able to transfer a combined $30 million, during life or at death, before being subject to federal gift or estate tax.

These elevated exemptions offer a valuable opportunity to make current gifts, moving assets out of your estate at their current values and avoiding gift or estate tax on future appreciation. State estate taxes should also be considered if you reside in, or own real estate in, a jurisdiction that imposes them. Gifts to grantor trusts, spousal lifetime access trusts (SLATs), and other vehicles can provide many benefits.

SALT Deductions in an Atmosphere of Hypertension

The TCJA imposed a $10,000 cap on state and local tax (SALT) deductions for individuals and married couples. The OBBBA raises the SALT deduction cap to $40,000 for taxpayers with adjusted gross incomes below $500,000, starting with the 2025 tax year. The increased cap is phased out for households with incomes over $500,000. This expanded cap will remain in effect through 2029, after which it reverts to the previous $10,000 limit. Both the cap and the income limit will increase by 1% per year from 2026 through 2029.

The House bill proposed limiting the availability of a SALT tax workaround that has been available to certain owners of pass-through businesses (partnerships and S corporations) when taxes are paid at the entity level rather than by individual owners. This workaround is known as the pass-through entity tax (PTET) deduction. The House bill would have eliminated the PTET deduction entirely for some businesses—such as law and accounting firms, medical practices, and investment management companies—while allowing it to remain for others.

However, the final bill did not incorporate these limitations, meaning the PTET deduction can still be used by owners of pass-through businesses to mitigate the impact of the SALT cap.

Opportunity Zones Get Another Chance

Introduced in the TCJA, Opportunity Zones and Qualified Opportunity Funds were designed to provide tax incentives for private investors to invest in any of 8,764 census tracts across the country. The goal was to "spur economic growth and job creation in low-income communities while providing benefits to investors," according to the IRS. These provisions allow investors with significant unrealized capital gains to benefit from tax deferral and investment opportunities. Under the TCJA, these provisions were set to sunset at the end of 2028.

The OBBBA permanently extends the tax incentives relating to Opportunity Zones and introduces changes to eligibility requirements and other aspects of the program. Investors should review these new provisions carefully to understand their

full implications.
We will continue to monitor the implementation of OBBBA provisions and their impact on estate planning and taxation. For more information, or if you have any questions, please contact your Day Pitney attorney.

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