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CLIENT ALERT

JULY 2025

THE BIG BEAUTIFUL BILL: 5 KEY TAKEAWAYS ON ESTATE AND INCOME TAX PLANNING

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (OBBBA) into law. The OBBBA makes permanent several provisions implemented by Trump's 2017 Tax Cuts and Jobs Act (TCJA) and also introduces several new rules, many which significantly affect high-net-worth individuals.

Outlined below are five major takeaways from the OBBBA. If you have any questions about one or more of these takeaways, please reach out to your Wiggin and Dana attorney.

1. ESTATE, GIFT AND GENERATION-SKIPPING TRANSFER TAX EXEMPTIONS PERMANENTLY INCREASED TO $15 MILLION

In 2025, the federal estate, gift, and generation-skipping transfer (GST) tax exemptions are $13.99 million per individual, and per the TCJA, said exemptions were scheduled to drop to around $7 million in 2026. The OBBBA permanently set the federal estate, gift, and generation-skipping transfer (GST) tax exemptions to $15 million per individual starting on January 1, 2026, with inflation adjustments beginning in 2027.

While there are always benefits to gifting now versus later, clients motivated to gift purely because of the scheduled drop can now breathe a little easier. Further, with an increased exemption in 2026, spouses who are considering making trusts for each other can now spread those gifts out and evaluate ways to minimize the likelihood that such gifts would be characterized as reciprocal.

2.CHARITABLE DEDUCTIONS SUBJECT TO NEW FLOOR

For taxpayers who itemize their deductions, the value of their charitable deduction will be subject to a new 0.5% floor. This floor means donations will only qualify as charitable deductions if they exceed 0.5% of the taxpayer's adjusted gross income, or AGI. For example, a donor with AGI of $1,000,000 will not get any tax benefit for the first $5,000 (0.5% of $1,000,000) of charitable donations. For taxpayers who do not itemize their taxes, the new tax bill allows them to take the standard deduction and claim a charitable deduction of up to $1,000 for single filers and $2,000 for joint filers.

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If you have any questions about this Advisory, please contact:

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About the Private Client Services Department

Experience the boutique feel of Wiggin and Dana's Private Client Services team, which includes over four dozen skilled lawyers and dedicated staff members conveniently located in the communities where our clients live and work.

Backed by a full-service law firm with a global reach, we are adeptly positioned to handle a wide range of complex issues while providing personalized attention that our clients appreciate.

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3.QSBS EXCLUSION INCREASED AND EXPANDED

The OBBBA has made three important changes for investors holding qualified small business stock ("QSBS"). First, such investors can exclude capital gains on the greater of $15 million (previously $10 million) or ten times their basis in the QSBS. Second, the gross assets test for the size of a small business investment that qualifies for QSBS has increased from $50 million to $75 million. Third, for investors who have not met the five-year holding period required for QSBS benefits, a new 75% benefit is provided for a four-year holding period and a 50% benefit is provided for a three-year holding period.

4.SALT DEDUCTION CAP TEMPORARILY INCREASED

The State and Local Tax (SALT) deduction cap is raised from $10,000 to $40,000 through 2029, when it reverts to $10,000. The deduction is phased out for taxpayers who earn more than $500,000 of income. OBBBA also preserves a popular workaround for partners in partnerships or shareholders in S corporations (i.e. pass through entities), to take advantage of a pass-through entity tax, or PTET, that avoids the cap under certain state laws.

5.RULES MODIFIED FOR 529 PLANS

529 Plans are state-sponsored investment plans specifically designed to be used for a beneficiary's educational expenses. Under the current law, distributions from 529 Plans are not taxable if used for qualified higher education expenses, which include college tuition, room and board, supplies, books and the like. It also permits up to $10,000 to be applied for tuition for public, private and religious elementary and secondary schools.

The OBBBA expands what can qualify as a tax-free distribution from a 529 Plan. For example, distributions for certain tutoring expenses, educational therapies and college admission exams may now qualify as tax-free. In addition, up to $20,000, instead of $10,000, can be applied for tuition for public, private and religious elementary and secondary schools.

With respect to any change made by the OBBBA that is characterized as "permanent," it is important to remember that it is only permanent until a future administration and Congress pass legislation to change it.

Reach out to your Wiggin and Dana attorney to discuss how the OBBBA may affect your planning strategies, and to explore proactive steps you can take to align your estate and tax planning with the latest legislative developments.