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Planning Under the One Big Beautiful Bill Act:

*Permanent Changes,
Key Opportunities*

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On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act (OBBBA) of 2025—the most significant federal tax legislation since the Tax Cuts and Jobs Act (TCJA) of 2017. The OBBBA touches nearly every sector of the U.S. economy, extending many TCJA provisions and introducing new deductions, credits, and business incentives.

The sweeping legislation both stabilizes and reshapes the planning landscape, delivering something producers have long awaited—tax law certainty. Of course, Congress may act at any time to introduce additional changes, but for now, planning can move forward without the shadow of a looming sunset. For clients who may have been hesitating to commit to planning strategies, the message is clear—now is the time to act.

This white paper explains key tax provisions, outlines planning opportunities, and provides insights to help your clients maximize their financial, estate, and business strategies under the new tax framework.

SCOPE

The OBBBA is a wide-ranging reconciliation bill that features various elements, such as reforms to Medicaid and the Supplemental Nutrition Assistance Program (SNAP), additional funding for border enforcement, and significant changes to U.S. energy policy. The following analysis maintains a clear focus on the bill's tax reform measures—in particular, the provisions that hold the greatest interest for the advanced planning community. It does not attempt to comprehensively address all or even most of the new provisions, nor does it present individualized planning solutions. PGI Partners, Inc., encourages advanced sales professionals to use this paper as a starting point for further research and analysis of how the OBBBA may affect clients' individual financial and estate plans.

WEALTH TRANSFER TAX EXEMPTION

The OBBBA extends the unified credit for estate, gift, and generation-skipping transfer (GST) taxes. Beginning in 2026, the exemption will increase from \$13.99 million to \$15 million (\$30 million for married couples), with annual adjustments for inflation. The bill maintains portability of unused estate and gift tax exemption amounts for surviving spouses and retains the top tax rate of 40%.

High-net-worth families now have a stable framework for long-term planning, allowing them to confidently assess their estate tax exposure and take proactive steps to address their needs. Key strategies to consider include:

- Making significant lifetime gifts
- Funding irrevocable trusts
- Implementing life insurance solutions (such as survivorship policies or irrevocable life insurance trusts)

Planning note: To help your clients leverage these opportunities most effectively, work with their legal and financial advisors to design comprehensive wealth transfer strategies that align with their long-term objectives.

INDIVIDUAL INCOME TAXES

The OBBBA introduces significant income tax changes, including simplifying filings, increasing the standard deduction, and creating new opportunities for taxpayers to manage their tax exposure through strategic planning. Consider the following key provisions:

Income tax rates

The lower tax rates introduced by the TCJA are now permanent—including the top 37% tax bracket, which was previously scheduled to revert to 39.6%—and subject to certain inflation adjustments. The temporary elimination of the personal exemption under the TCJA is now permanent.

Planning note: Position life insurance as a tax-efficient tool for wealth transfer and income replacement, especially for clients in higher tax brackets.

Roth conversions: Turn tax certainty into planning action

By making the tax brackets permanent, the OBBBA extends the opportunity to make Roth conversions at today's favorable rates. (Although the rates are "permanent," Congress may pass new legislation that changes them in the future.) The deductions introduced or expanded by the OBBBA can help offset the tax cost of those conversions. High-income earners or those anticipating higher tax rates in retirement should evaluate their retirement saving strategies and consider shifting from pretax assets to after-tax assets.

Individual alternative minimum tax

The temporary alternative minimum tax (AMT) exemption amounts under the TCJA are now permanent and will be indexed for inflation starting in 2026. However, also beginning in 2026, the phaseout thresholds will revert to the lower 2018 levels (\$500,000 for single filers and \$1 million for joint filers), indexed for inflation. In addition, the exemption phaseout rate will be increased from 25% to 50% of the amount by which a taxpayer's AMT income exceeds the applicable exemption phaseout threshold. High-income taxpayers should work with their tax professionals to assess their AMT exposure and explore strategies to minimize its impact.

Standard deduction

The OBBBA permanently extends the higher standard deduction and includes a small increase for 2025—\$15,750 (single filers or married filing separately), \$23,625 (head of household), and \$31,500 (joint filers). These amounts will be adjusted annually for inflation. Many taxpayers have already shifted from itemizing to taking the standard deduction and will therefore experience little change.

New deduction for seniors

For 2025–2028, taxpayers age 65 or older can take an additional \$6,000 above-the-line deduction. The deduction begins to phase out for single filers with modified adjusted gross income (MAGI) over \$75,000 (\$150,000 for joint filers). The deduction is fully phased out when MAGI reaches \$175,000 (\$250,000 for joint filers). In the case of joint filers, only one spouse needs to be 65 or older to claim the deduction. If both spouses are 65 or older, their deductions are reduced simultaneously by the phaseout.

New deduction for tips and overtime wages

For 2025–2028, income earned from tips is eligible for a tax deduction of up to \$25,000 (regardless of filing status), and overtime pay is eligible for a deduction of up to \$12,500 (\$25,000 for joint filers). For both tips and overtime pay, the deductions phase out for those making over \$150,000 (\$300,000 for joint filers).

State and local tax deduction

Effective in 2025, the state and local tax (SALT) deduction cap increases from \$10,000 to \$40,000 (\$20,000 for married filing separately). The deduction begins to phase out for taxpayers with MAGI over \$500,000 (\$250,000 for married filing separately). The phaseout reduces the allowed deduction by 30% of the amount that the taxpayer's MAGI exceeds the threshold, with a floor of \$10,000 (\$5,000 for married filing separately). The SALT cap and phaseout thresholds will be adjusted for inflation through 2029. In 2030, the cap is scheduled to revert to \$10,000 (\$5,000 for married filing separately).

Planning note: Help clients in high-tax states take advantage of the higher SALT deduction cap before it drops again in 2030. Explore whether it makes sense for them to reinvest their tax savings into life insurance policies to protect wealth and create a legacy.

Other key income tax provisions

- **Pass-through entity tax deduction.** The OBBBA continues to allow the use of the pass-through entity tax (PTET) deduction for pass-through business entities. This IRS-sanctioned workaround (Notice 2020-75), originally created in response to the TCJA's lower SALT deduction cap, allows PTET payments for state and local income taxes to be deducted at the entity level as business expenses (rather than personal expenses subject to the SALT deduction cap), with state tax credits flowing through to owners, reducing both regular federal income tax and AMT for taxpayers who make this election.
- **Miscellaneous itemized deductions.** The OBBBA permanently eliminates the miscellaneous itemized deduction (which was temporarily eliminated by the TCJA), reclassifying educator expenses as an itemized deduction in § 67 (but specifically not a miscellaneous itemized deduction). The bill also permanently repeals the Pease limitation on itemized deductions, which was temporarily repealed by the TCJA.
- **Itemized deductions for high-income taxpayers.** Beginning in 2026, itemizers in the top 37% tax bracket will have deductions limited to 35%. Technically, itemized deductions (including the SALT deduction) will be limited to 2/37 of the lesser of (1) total itemized deductions or (2) the amount of taxable income that exceeds the 37% bracket threshold.
- **Mortgage interest deduction.** The OBBBA permanently extends the mortgage interest deduction limit of \$750,000 (\$375,000 for married filing separately). The rules for deducting interest on home equity loans or home equity lines of credit are also now permanent: Interest is not deductible unless the loan is specifically used to buy, build, or substantially improve the home securing the loan. In addition, certain mortgage insurance premiums will qualify as deductible interest starting in 2026.
- **Auto loan interest deduction.** For tax years 2025–2028, itemizers and nonitemizers can deduct qualified passenger vehicle loan interest up to \$10,000 for new cars with final assembly in the United States. The deduction phases out at a 20% rate when income exceeds \$100,000 (\$200,000 for joint filers).
- **Deduction for out-of-pocket medical expenses.** The temporary 7.5%-of-AGI threshold for deducting qualified unreimbursed medical and dental expenses is now permanent.

Planning note: Highlight the role of life insurance as a tax-advantaged tool for wealth preservation, particularly for high-income clients facing deduction limits and phaseouts.

CHARITABLE GIVING

The OBBBA ushers in a new landscape for charitable giving, both creating new limitations and expanding opportunities. Clients with philanthropic goals—especially high-net-worth individuals—should consider how these changes may impact their charitable plans.

New charitable deduction for nonitemizers

Beginning in 2026, a deduction of \$1,000 (\$2,000 for joint filers) for charitable contributions to qualified public charities (excluding donor-advised funds) will be available to nonitemizers.

New floor for charitable deductions

Beginning in 2026, donors will only be allowed an itemized charitable deduction for contributions that exceed 0.5% of AGI. Carryover of excess amounts will be allowed only if the 0.5% threshold is met.

Deduction limit for charitable gifts of cash

The temporary 60%-of-AGI limit for cash gifts to qualified charities is now permanent.

Itemized deduction limit for top earners

As previously noted, starting in 2026, those in the top 37% tax bracket will have their deductions limited to 35% (including deductions for charitable gifts).

Planning opportunities

Although the new rules impose certain limitations, they also promote more thoughtful and strategic charitable giving. Taxpayers may explore the following giving options to maximize tax efficiency.

- **Gift bunching.** Donors may want to combine two or more years' worth of charitable contributions into one tax year to surpass the new 0.5%-of-AGI floor. This strategy is also useful for those who typically take the standard deduction but want to itemize every few years to take advantage of charitable income tax deductions.
- **Donor-advised funds.** Donor-advised funds (DAFs) remain a versatile option for taxpayers to make large charitable contributions during high-income years, qualify for an immediate income tax deduction, and then recommend grants to charities over time. Donors concerned about the new limitations on charitable deductions should explore the idea of making a larger gift to a DAF in 2025 and then recommending grants over several years equivalent to their usual annual gifts.
- **Qualified charitable distributions.** Taxpayers age 70½ and older can continue to use qualified charitable distributions (QCDs) to donate directly from their IRAs, reducing

adjusted gross income (AGI) and bypassing the new deduction floor (and possibly qualifying for deductions like the new \$6,000 senior deduction).

- **Strategic noncash donations.** Donating appreciated assets, such as stocks or real estate, can provide substantial tax advantages, particularly when offsetting concentrated income or capital gains.

Planning note: Remind philanthropically inclined clients that naming a charitable organization as a beneficiary of a life insurance policy is a simple, efficient way to make a meaningful future gift without being impacted by new limits on deductions.

BUSINESS TAX PROVISIONS

The OBBBA introduces several opportunities for business owners to increase cash flow, reinvest for growth, and strengthen their financial resilience. Business owners may find it advantageous to use the increased cash from tax savings to hire employees, expand operations, or enter new markets.

Below are key business tax provisions of the OBBBA and strategies that business owners can employ to maximize these benefits and support long-term financial success.

The § 199A qualified business income deduction

The OBBBA both extends and enhances the qualified business income (QBI) deduction for owners of certain pass-through entities (LLCs, sole proprietorships, partnerships, S corporations). Business owners may deduct up to 20% of their share of QBI on their individual tax return, regardless of whether they itemize. Starting in 2026, the phaseout limits will be increased to \$75,000 (\$150,000 for joint filers), and a new \$400 minimum QBI deduction will be available for taxpayers with at least \$1,000 of “active” QBI (where the taxpayer actively participates in the business). These amounts will all be indexed for inflation beginning in 2027. Business owners may want to explore whether it makes sense to restructure compensation or adjust business operations to fully maximize this deduction.

Expensing of § 179 property

Beginning in 2025, the OBBBA increases the dollar limitations for expensing certain depreciable business assets. The bill allows businesses to expense up to \$2.5 million (up from \$1.25 million) in § 179 property (“business equipment” ranging from computers to machinery to vehicles) and increases the phaseout threshold to \$4 million (up from \$3.13 million), subject to certain limitations. Both the cap and phaseout threshold will be adjusted annually for inflation. Business owners may want to accelerate asset purchases to take advantage of these higher limits, which allow them to immediately deduct the cost, improving cash flow and reducing taxable income.

Bonus depreciation

Expensing of qualified property. The TCJA began phasing out the 100% bonus depreciation rate for qualified property under § 168(k), with rates scheduled to drop to 40% in 2025, 20% in 2026, and 0% in 2027 and beyond. The OBBBA reverses that phaseout, reinstating the 100% bonus depreciation for property acquired and placed in service by the taxpayer after January 19, 2025. Eligible property includes most new or used tangible business assets with a recovery period of 20 years or less (such as computers, office equipment, furniture, and off-the-shelf software) that are predominantly used for business purposes.

Expensing of qualified production property. The OBBBA temporarily extends 100% bonus depreciation to a new category of building property—qualified production property constructed after January 19, 2025, and before January 1, 2029—provided the property is placed in service before January 1, 2031. “Qualified production property” generally means nonresidential real property that is used by the taxpayer as an integral part of a qualified production activity, such as the manufacturing, production, or refining of tangible personal property.

Business owners may want to consider accelerating purchases of equipment, machinery, facilities, and technology to maximize expensing and depreciation benefits.

Research and experimentation deductions

The TCJA required domestic research and experimentation (R&E) expenses to be amortized over five years. To incentivize domestic R&E, the OBBBA restores full deductibility of these expenses beginning in 2025, while R&E expenses for research conducted outside the United States must still be amortized over 15 years. Taxpayers may also accelerate any remaining unamortized domestic R&E expenses incurred in 2022–2024, choosing to deduct them in a lump sum or spread them over two years.

Qualified small business stock

The OBBBA introduces a tiered exclusion regime for gains from the sale of qualified small business stock (QSBS) issued after July 4, 2025, significantly expanding the existing § 1202 benefits. If held for at least three years, the stock qualifies for a 50% exclusion; at least four years, a 75% exclusion; and at least five years, the pre-existing 100% exclusion, which remains in effect. In addition, the per-issuer gain exclusion cap increases from \$10 million to \$15 million (indexed for inflation beginning in 2027), and the aggregate gross asset ceiling for issuing corporations increases from \$50 million to \$75 million, also indexed for inflation starting in 2027. Business owners should assess their eligibility under the revised rules to determine whether issuing QSBS could be beneficial for attracting investors or succession planning, while capitalizing on the expanded exclusion tiers and higher per-issuer gain exclusion cap.

Excess business loss

The OBBBA permanently extends the excess business loss (EBL) limitation under § 461(l) for all noncorporate taxpayers, which was originally set to expire in 2028. The limitation disallows EBL exceeding annually adjusted thresholds (\$313,000 for single filers and \$626,000 for joint filers in 2025). Starting in 2026, the adjusted thresholds will be reset to \$250,000 (single filers) and \$500,000 (joint filers), indexed for inflation. Disallowed EBL in the current year will be converted into net operating loss and carried forward indefinitely to offset up to 80% of future taxable income. Business owners should review their loss strategies to ensure compliance and maximize future tax benefits.

Section 163(j) business interest deduction

The OBBBA permanently restores the previous, more favorable limitation on business interest expense under § 163(j) and reinstates a more generous definition of “adjusted taxable income” (ATI) starting in 2025. While the cap remains 30%, ATI once again excludes depreciation, amortization, and depletion, enabling capital-intensive businesses to deduct higher interest amounts in their early asset-intensive years. (This more favorable method for computing ATI expired at the end of 2021.) Business owners may be able to take advantage of the more favorable ATI calculation to finance new projects or expansions.

Corporate charitable deductions

Effective in 2026, charitable contributions made by corporations will be deductible only to the extent they exceed 1% of the corporation’s taxable income and do not exceed 10%. Corporations will be able to carry over excess contributions for five years, but contributions below the 1% floor will be carried over only if the corporation’s contributions exceed the 10% ceiling. Corporations should analyze whether to adjust giving strategies to align with these new thresholds, as planning will become essential to maximizing the benefit.

Planning note: Work with business owners to determine whether tax savings or increased cash flow from these deductions could help support business growth, stability, and continuity by funding buy-sell agreements, key employee insurance, or executive bonus plans. Collaborate with tax, legal, and financial advisors to help business owners devise and implement strategies that maximize their tax benefits, improve liquidity, and support long-term success.

TAX BENEFITS FOR FAMILIES, EDUCATION, AND SAVINGS

The OBBBA introduces a range of provisions designed to support families, encourage education savings, and promote long-term financial planning. From increased child and dependent credits to expanded benefits for 529 plans and the introduction of new savings vehicles like Trump Accounts, these changes offer significant opportunities for taxpayers to optimize their financial strategies. Additionally, enhancements to the Saver’s Credit for ABLE accounts and new tax

credits for donations to scholarship-granting organizations underscore the focus on education and financial security. Consider the following key provisions.

Child and dependent tax credits

Effective in 2025, the child tax credit is increased from \$2,000 to \$2,200, while the maximum refundable portion of the credit remains at \$1,700 per child. Both amounts will be indexed for inflation starting in 2026. The income phaseout thresholds for the credit remain unchanged at \$400,000 for joint filers and \$200,000 for single or head-of-household filers. The \$500 nonrefundable credit for other dependents is now permanent.

Education savings and credits

- **Tax credit for donations to scholarship granting organizations.** Starting in 2027, a new nonrefundable federal tax credit will be available—up to \$1,700 for donations to qualified scholarship granting organizations (SGOs) operating in covered states (those that have elected to participate). The credit will be reduced to the extent that the taxpayer claims a similar state tax credit. Eligible families will be able to use SGO scholarships for a wide range of K–12 education expenses (such as tuition, books, supplies, tutoring, and certain support activities), and these awards will be excluded from the federal income of the families receiving the scholarships.
- **Saver’s Credit related to ABLE accounts.** Starting in 2027, the OBBBA will make permanent the Saver’s Credit (which is available to designated beneficiaries who make qualified contributions to their ABLE accounts) and increase the credit amount from \$2,000 to \$2,100. The OBBBA also makes permanent the current contribution limit for ABLE accounts (adding an extra year of inflation adjustment to the base amount) and the ability to make tax-free rollovers from qualified 529 tuition programs to ABLE accounts (these provisions were set to expire at the end of 2025). Families with children who have special needs should consider adjusting their savings strategies to utilize the increased contribution limits.
- **529 plans.** After July 4, 2025, the definition of qualified higher education expenses is expanded to include tuition, fees, books, supplies, equipment, and other expenses related to obtaining and maintaining recognized postsecondary credentials, including test fees and continuing education expenses required for their upkeep. Additional qualified educational expenses in connection with enrollment or attendance at an elementary or secondary school (public, private, or religious) are also included (such as tuition, curriculum materials, books, online educational materials, certain testing fees, and certain educational therapies for students with disabilities). Starting in 2026, the annual cap on tuition that can be treated as a qualified expense for elementary and secondary school will increase from \$10,000 to \$20,000.

New savings vehicle for children

Each child born during 2025–2028 and issued a valid Social Security number is eligible for a new tax-preferred savings vehicle known as a “Trump Account.” Under the pilot program, the U.S. Treasury will contribute \$1,000 to each established account. Beginning in July 2026, the OBBBA will allow nondeductible contributions of up to \$5,000 per year (indexed for inflation in subsequent years) to a Trump Account on behalf of a beneficiary who has not yet reached the calendar year in which they turn 18. Trump Accounts are classified as IRAs, offering the potential for tax-deferred investment growth and favorable treatment for qualified expenses. Given the technical nature of these accounts, the Treasury Department and IRS will likely issue regulations and guidance for implementation.

Encourage families with qualifying children to establish these tax-advantaged accounts to benefit from the Treasury’s \$1,000 contribution and the potential for tax-deferred growth. They should also plan to make additional contributions to further enhance the long-term value of the account.

Planning note: Explain to clients how these provisions create significant opportunities to reduce taxes and build a stronger financial future. Take this opportunity to discuss ways life insurance can help protect long-term goals and complement other planning tools.

CONCLUSION

Among its many changes, the OBBBA overhauls the U.S. tax code—offering long-term relief and certainty to all taxpayers, but especially businesses and high-net-worth individuals. By cementing beneficial TCJA provisions, the new law creates a stable framework for planning.

This is an ideal time to help clients reassess financial strategies and update estate plans to maximize new opportunities. It also provides a unique opportunity to remind clients of the many ways life insurance can serve as a versatile solution for estate planning, tax efficiency, and financial security by helping them protect their wealth, reduce their tax liability, and achieve long-term financial goals.

Now is the time to strengthen client relationships through education, explore effective planning options, and highlight the powerful role of life insurance in comprehensive financial strategies under the OBBBA.



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