

ALERT MEMORANDUM

# ‘One Big Beautiful Bill’ Act: Tax Provisions of Note for Individuals

July 16, 2025

The “One Big Beautiful Bill” Act (the “Act”) was enacted on July 4, 2025. Certain tax provisions of the Act may be of particular interest to individuals, as described below.

## Gift, Estate and GST Tax Exemptions

In 2026, the federal gift, estate and generation-skipping transfer (“GST”) tax exemptions are increasing to \$15 million (\$30 million for a married couple) and will be indexed for inflation thereafter. The new exemptions are “permanent” and do not sunset. For a summary of this year’s exemptions, please see our [2024 Private Clients Alert](#).

The Act makes no other notable changes relating to gift and estate planning, and techniques such as GRATs, QPRTs, intra-family loans, grantor trusts and annual exclusion trusts will continue to be important for many clients.

As noted in prior alert memoranda, including our 2023 [Overview of Lifetime Gift and GST Tax Planning](#), lifetime planning techniques have a number of potential benefits, including:

- Removing appreciation from the estate
- Minimizing state-level estate taxes
- Providing valuation discounts for certain assets
- Protecting against future legislation that may increase tax rates and/or decrease tax exemptions

However, for many clients, including clients and their beneficiaries who expect to have estates below the estate tax threshold, consideration should also be given to the following:

- Maximizing the step up in basis at death, both for donors and trust beneficiaries
- Planning techniques that would allow trust assets to escape state income taxes

If you have any questions concerning this memorandum, please reach out to your regular firm contact or the following authors

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NEW YORK

**Elana S. Bronson**  
+1 212 225 2617  
[ebronson@cgsh.com](mailto:ebronson@cgsh.com)

**Heide H. Ilgenfritz**  
+1 212 225 2358  
[hilgenfritz@cgsh.com](mailto:hilgenfritz@cgsh.com)

**Judith Kassel**  
+1 212 225 2062  
[jkassel@cgsh.com](mailto:jkassel@cgsh.com)

**Steven M. Loeb**  
+1 212 225 2620  
[sloeb@cgsh.com](mailto:sloeb@cgsh.com)

**Catherine A. Borneo**  
+1 212 225 2292  
[cborneo@cgsh.com](mailto:cborneo@cgsh.com)

**Madison Koffler**  
+1 212 225 2298  
[mkoffler@cgsh.com](mailto:mkoffler@cgsh.com)

**Elizabeth Sheerin**  
+1 212 225 2303  
[esheerin@cgsh.com](mailto:esheerin@cgsh.com)

**Jacqueline Debs**  
+1 212 225 2105  
[jdebs@cgsh.com](mailto:jdebs@cgsh.com)

**Ridglea (Ridge) Willard**  
+1 212 225 2344  
[rwillard@cgsh.com](mailto:rwillard@cgsh.com)



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### **SALT Deduction Limits**

Beginning with the 2025 tax year, the limit on deductibility of state and local taxes (“SALT”) is increased from \$10,000 to \$40,000 for individuals and married couples filing jointly with modified adjusted gross income (“AGI”) of no more than \$500,000. For higher income earners, the cap is reduced to as low as \$10,000. The deduction cap and the income limit are increased by 1% annually until 2030, at which time the SALT deduction cap reverts to \$10,000.

Notably, the Act does not prohibit members of pass-through entities from reducing their income by SALT paid by the entities, and no deduction cap applies at the entity level. Accordingly, the so-called SALT workaround available in many states remains unchanged.

Some clients may wish to consider utilizing the SALT workaround through the use of partnerships (including LLCs taxed as partnerships) with family members and family trusts.

### **Qualified Small Business Stock (“QSBS”)**

The Act makes several enhancements to the rules providing an exclusion from capital gains on the sale of qualified small business stock (“QSBS”), applicable to QSBS acquired after July 4, 2025:

- The per-person, per-issuer limit on the exclusion amount is increased from \$10 million to \$15 million and indexed annually for inflation starting in 2027.
- The 5-year required holding period is replaced with tiered exclusions: 50% after three years, 75% after four years and 100% after five years.
- The definition of “qualified small business” is expanded by increasing the gross asset value threshold from

\$50 million to \$75 million and indexing the threshold for inflation starting in 2027.

### **Charitable Income Tax Deductions**

The Act makes a few changes affecting charitable income tax deductions for individuals, beginning with the 2026 tax year:

For taxpayers who itemize deductions:

- New 0.5% floor: Charitable deductions are allowed only to the extent that they exceed 0.5% of the contribution base (generally, AGI).
- Cap on benefit: For taxpayers in the top marginal tax bracket (37%), the value of charitable (and other itemized) deductions is reduced with the effect that the deductions shelter income only up to a 35% tax rate.

Some clients may wish to consider making larger charitable gifts in 2025, perhaps to a donor-advised fund for future disbursement, before the new rules take effect.

For taxpayers who do not itemize deductions, a charitable deduction of up to \$1,000 (or \$2,000 for a married couple filing jointly) is allowed for cash gifts to certain qualifying organizations.

The increased AGI limit of 60% applicable to the charitable deduction for cash gifts to certain qualifying organizations, which was scheduled to sunset, has been made permanent.

### **529 Account Expansion for K-12 Education and New “Trump Accounts”**

Beginning with the 2026 tax year, the annual limit on 529 account withdrawals for K-12 education is increased from \$10,000 to \$20,000. For withdrawals after July 4, 2025, qualifying

expenses are expanded to include tutoring, certain therapies and other non-tuition expenses.

New “Trump accounts” allow parents, employers and others to make modest contributions to tax-deferred accounts for minors, although many taxpayers will achieve greater benefits through other available gifting options. (As with 529 accounts, contributions to Trump accounts count against the donor’s available gift tax annual exclusion for the donee child.)

Other noteworthy tax aspects of the Act have been summarized in Cleary’s [July 8, 2025 Client Alert](#). Some provisions that may be of interest to individual clients include those relating to the repeal of miscellaneous itemized deductions, the limitation on itemized deductions, opportunity zone investments and bonus depreciation for certain depreciable tangible personal property.

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