

Major Tax Updates from the One Big Beautiful Bill Act

Expanded Exemptions, New Deduction Rules, and Key Changes for Taxpayers

St. Louis, Jul 15, 2025 – The *One Big Beautiful Bill Act* (H.R. 1, 119th Congress) was signed into law on July 4, 2025. It extends and expands many provisions of the 2017 Tax Cuts and Jobs Act (TCJA) while introducing new tax policies. These changes include a permanent increase to the estate and gift tax exemption, a temporary increase in state and local tax (SALT) deductions and revised charitable deduction rules. Below is a summary of key provisions affecting individual taxpayers.

Estate and Gift Tax Exemption: Starting in 2026, the federal estate and gift tax exemption will increase to \$15 million per individual (\$30 million per married couple) and will be indexed for inflation thereafter. This eliminates the previously scheduled reversion to roughly \$7 million in 2026 under the TCJA.

Tax Brackets and Standard Deduction: The bill extends the lowered TCJA individual income tax rates and brackets indefinitely. For the 2025 tax year, the standard deduction is increased to \$15,750 (\$31,500 for married couples) with annual adjustments for inflation.

Charitable Giving: Taxpayers who do not itemize deductions may now claim an above-the-line deduction of \$1,000 (\$2,000 for married couples) for cash donations to qualified charities. For itemizing taxpayers, a new threshold applies: only contributions above 0.5% of their adjusted gross income (AGI) are deductible. For example, an individual with an AGI of \$100,000 may not deduct their first \$500 in charitable contributions. Corporate charitable deductions are also subject to a new floor: only contributions above 1% of taxable income are deductible. The overall charitable deduction limit for corporations remains at 10% of its taxable income.

SALT Deductions: The current \$10,000 limit on state and local tax (SALT) deductions is temporarily raised to \$40,000 (\$20,000 for married filing separately) with a 1% annual increase through 2029, after which it reverts to \$10,000. This change is particularly beneficial to taxpayers in high-income-tax states. The increased limit is phased down for higher earners: the deduction for taxpayers with modified adjusted gross income (MAGI) over \$500,000 (\$250,000 for married filing separately) is reduced by 30% of the amount exceeding that threshold. For example, a married couple with a MAGI of \$510,000 would have their SALT deduction reduced by \$3,000 (30% of \$10,000). The phase-down threshold will also increase by 1% annually through 2029.

These changes and many others not covered in this article mark a significant shift in the federal tax landscape. For questions regarding your individual planning opportunities, please contact Lowenhaupt & Chasnoff at 314-241-5950.

About Lowenhaupt & Chasnoff

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