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Navigating the New Tax Landscape: Strategic Opportunities Under the One Big Beautiful Bill (OBBB)

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The One Big Beautiful Bill (OBBB), enacted July 4, 2025, represents one of the most sweeping tax rewrites in recent memory, especially for high-net-worth families and entrepreneurs. While media coverage focuses on rate extensions and estate tax thresholds, the most significant opportunities lie in structuring smart deductions, accelerating depreciation, and layering philanthropic and trust strategies to maximize tax efficiency. In this guide, we map out the provisions that matter most to help clients unlock forward-thinking planning in this new era of permanent reforms.

1. Increased SALT Deduction Cap

Under the OBBB, the state and local tax (SALT) deduction cap temporarily increases from $10,000 to $40,000, adjusted for inflation annually until it reverts in 2030. High-net-worth individuals, particularly those in high-tax states, should consider strategically accelerating property tax payments or state income tax payments within these high-deduction years.

Example: A family previously limited to a $10,000 deduction now realizes an immediate tax benefit of an additional $30,000 deduction. At the 37% tax bracket, this translates to approximately $11,100 in tax savings.

Phase-Out Consideration: The increased SALT deduction begins to phase out once MAGI reaches $500,000 and is completely eliminated at $600,000 (indexed for inflation). High-income households should carefully evaluate whether they can benefit from remaining under these thresholds in certain years.

Stacking Deductions Strategy: With the larger standard deduction still in place, many families may find it advantageous to bunch or "stack" multiple years of deductible expenses, including SALT payments and charitable contributions, into a single year. This allows itemized deductions to exceed the standard deduction meaningfully, then revert to claiming the standard deduction in alternate years.

Example: Suppose a married couple expects $25,000 in SALT deductions and $10,000 in charitable giving annually. On their own, $35,000 of deductions is only slightly above the $29,200 standard deduction (2025). By stacking two years of charitable giving ($20,000) into one tax year, their deductions rise to $45,000, yielding a much larger itemized deduction and saving approximately $5,500 in federal income taxes at the 37% bracket. The following year, they would take the standard deduction, optimizing tax benefits across both years.

Advanced Trust Strategy: Consider utilizing non-grantor trusts to multiply **SALT deductions by distributing income strategically across multiple entities, each with its own SALT deduction cap, significantly enhancing tax efficiency for ultra-high-net-worth families.**

2. New Limitations on Itemized Deductions

The Pease limitation has been replaced by a new rule reducing allowable itemized deductions by 2/37th of the lesser of total deductions or taxable income exceeding the threshold of the 37% bracket.

Example: If your itemized deductions are $100,000 and your taxable income exceeds the 37% threshold by $150,000, deductions reduce by 2/37th of $100,000, approximately $5,405. Strategic income timing and deduction management can minimize this impact.

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3. Charitable Contribution Adjustments

The new bill reintroduces an above-the-line deduction of $1,000/$2,000 (single/joint filers) and creates an itemized deduction floor of 0.5% of AGI. High-income donors may see reduced benefits from direct charitable contributions.

STRATEGIC PLANNING OPPORTUNITIES:

Gift Stacking: Consider consolidating several years of charitable contributions into one high-impact year to surpass the AGI floor.

Donor-Advised Funds (DAFs): Contribute appreciated securities to a DAF to secure large deductions in a single tax year.

Qualified Charitable Distributions (QCDs): For clients over 70½, QCDs remain an efficient option to fulfill RMD obligations without increasing taxable income.

4. Depreciation Changes Affecting Real Estate and Oil & Gas Investments

The OBBB permanently reinstates 100% bonus depreciation, significantly impacting tangible assets such as real estate improvements and oil & gas equipment.

Real Estate Example: An accelerated depreciation opportunity might exist for capital improvements. By carefully timing renovations and utilizing 100% bonus depreciation, investors can immediately deduct substantial renovation costs, thereby substantially lowering their taxable income.

Oil & Gas Example: Clients investing directly in drilling activities may strategically benefit from immediate depreciation of tangible equipment purchases, maximizing first-year deductions, and offsetting passive income effectively.

5. No Tax on Social Security

The OBBB introduces an additional deduction of $6,000 per senior citizen, commonly promoted as "No Tax on Social Security." Eligibility requires taxpayers to be 65 or older with income thresholds ($75,000 single, $150,000 joint). This deduction does not impact AGI or Medicare premiums.

6. Retirement Planning Adjustments

While the OBBB provides new avenues for minimizing tax liability, the following strategies still hold weight.

Roth IRA Conversions: Continue assessing conversion opportunities to leverage potentially lower tax rates or bracket management strategies.

Strategic Use of RMDs and QCDs: Manage taxable income through Qualified Charitable Distributions, maintaining strategic philanthropy goals while reducing AGI.

7. Other Notable Deductions and Exclusions

Auto Loan Interest Deduction: Interest on new vehicle loans between July 4, 2025, and December 31, 2028, may be deductible for taxpayers under specific income limits ($100,000 single, $200,000 joint).

No Tax on Tips: Qualified tips up to $25,000 are deductible for specific service industry workers, phased out at higher income levels.

No Tax on Overtime: Premium portion of overtime wages is deductible, capped at $12,500, and phased out at higher income levels.

8. Termination of Energy Credits

Energy-efficient home improvements and electric vehicle purchases will lose tax credit eligibility after 2025. High-net-worth taxpayers planning energy upgrades should consider accelerating these purchases to take advantage of current tax credits before they expire.

THE FOLLOWING TAX CODE ITEMS, WHICH WERE SET TO EXPIRE, WERE MADE PERMANENT:

- Larger standard deduction
- Repeal of personal exemptions
- Increased Child Tax Credit
- Current individual tax brackets
- Miscellaneous itemized deduction elimination
- Mortgage interest limitation

ADVANCED STRATEGIC PLANNING:

High-net-worth families should proactively engage their financial planners and CPAs to:

- Optimize timing and recognition of income/deductions under OBBB rules.
- Reevaluate real estate and oil & gas investment strategies.
- Incorporate philanthropic planning as a core strategy.

Conclusion:

With substantial changes and unique planning opportunities emerging from OBBB, now is the ideal time to consult your financial advisor and CPA to refine and optimize your tax and financial strategies.

If you would like a complimentary second opinion or a personalized consultation, please contact us directly.

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A graduate of Baylor University, Mike has more than 20 years of professional experience in the finance industry. He enjoys working with family-centric executives & entrepreneurs looking to create lasting legacies by helping them navigate the unique challenges success, wealth, and family entails. Mike and his family reside in Southlake, TX.

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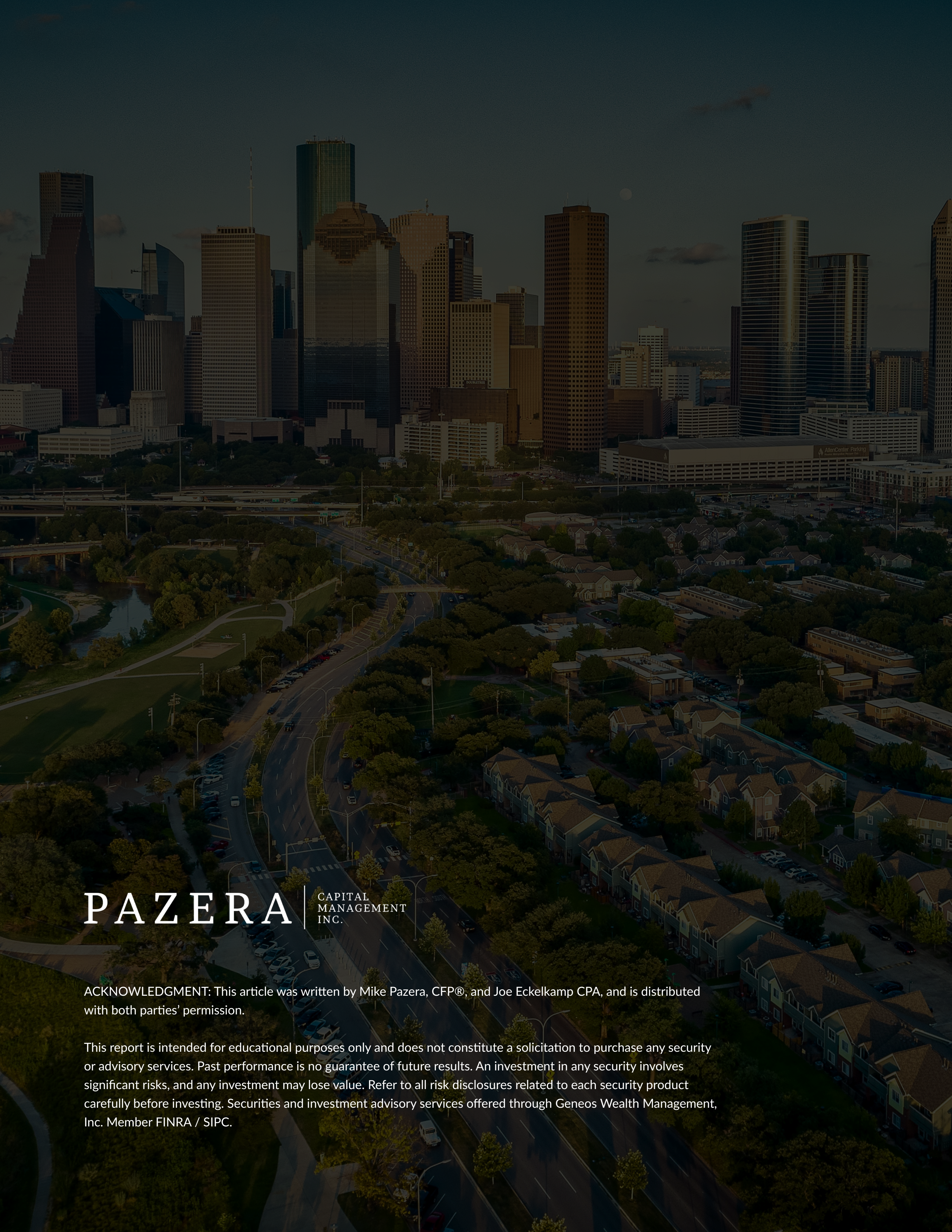
A graduate of Texas Tech University, Joe has been working in public accounting for over 7 years. During his time, he has served many high-net-worth individuals, entrepreneurs, and small business owners. From getting things started, to helping wind them down, Joe enjoys working with his clients through all stages of business and life.



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