
One Big Beautiful Bill Act (OBBBA)

2025 Planning Checklist for Families & Business Owners

"Tax law is written in pencil," which is why it's important to have a plan that's flexible enough to adapt yet grounded in what matters most to you and your legacy.

Tax Brackets

Tax Cuts & Jobs Act (TCJA) rates and thresholds made permanent/prevented sunset YE 2025

- 2026 thresholds are slightly higher than current, with modest increases to the top of the 10% and 12% tax brackets.
- Slightly increased Standard Deductions, beginning 2025.
- **Action:** Explore multi-year, partial Roth conversion opportunities, especially to manage large IRAs or consider taking advantage of back-door Roth funding for high income earners.

Charitable Deductions

Encourages strategic, proactive planning of charitable gifts to maximize impact

- Non-itemizers can claim an above-the-line deduction of up to \$1,000 (\$2,000 MFJ) for cash gifts to qualifying charities starting in 2026. Itemizers must exceed a 0.5% AGI floor before charitable deductions begin, encouraging larger or bunched gifts.
- High-income taxpayers are limited to a 35% deduction value, even if in highest (37%) tax bracket.
- **Action:** Consider accelerating giving in 2025 to avoid new floors and caps and/or bunch giving to a donor-advised fund (DAF) in high-income years.

State & Local Tax (SALT) Deduction

Cap jumps to \$40,000 (2025–2029), then falls back to \$10,000 in 2030

- **Action:** If multiple real estate holdings, consider trust-based SALT strategies using non-grantor trusts to enhance legacy and tax efficiency.
- **Bunching:** Time real estate tax payments & state estimates in higher cap years.
- **Phase-out caution:** Deduction is reduced by 30% of MAGI over \$500,000 (MFJ/single).

Above-the-Line Deductions (2025–2028)

Mostly irrelevant for high income earners; children working in family business could benefit

- Tips (\$25,000 max), Overtime (\$25,000 max, MFJ), Auto loan interest (\$10,000).
- Senior deduction (\$6,000 each age 65+).
- **Phase-out caution:** Evaluate AGI thresholds (\$100k–\$300k ranges) before assuming eligibility.

Estate & Legacy Planning

Lifetime gift exemption now \$15 million per person (\$30 million, MFJ), indexed annually

- **Action:** Review current gifting strategies and dynasty trust structures to coordinate timing of use.
- **Dynasty/Gift Skipping:** Revisit GST-exempt trust allocations; more room for perpetual wealth transfer.
- **Insurance:** Reassess ILIT funding needs, perhaps lower leverage required.

Trump Accounts

Establishes long-term investments accounts for children to promote savings

- Beginning July 2026, Trump Accounts allow custodial retirement-style savings for children under 18, with tax-deferred growth and distributions allowed, starting at age 18.
- **Annual contributions are capped at \$5,000**, with a one-time \$1,000 federal seed available for eligible children born between 2025 and 2029.
- Investments are restricted to low-cost index funds, and trustees must meet strict reporting requirements until the child turns 17.

BUSINESS OWNER PLANNING

Qualified Small Business Stock (QSBS) - IRC Section 1202

Rules are technical and unforgiving; if handled correctly, can save millions in tax

New provisions apply to stock acquired after July 4, 2025:

- **Eligibility Expanded:** Asset threshold raised from \$50M to \$75M; more industries now qualify, broadening access of this provision to startups. Note, service businesses (e.g., law, health), banking, farming, hospitality, and reputation-based trades remain excluded.
- **Capital Gains Exclusion:** Previously required a 5-year holding period for up to \$10M or 10× investment exclusion; now allows tiered exclusions - 50% after 3 years, 75% after 4 years, and 100% after 5 years.
- **Higher Cap:** Lifetime gain exclusion increased to \$15M per issuer for stock acquired after July 4, 2025, with inflation adjustments starting in 2027.
- **Timing Risk:** Selling too early or structural/business changes can disqualify the benefit.

Pass-Through Income (199A Deduction)

Allowing eligible taxpayers to deduct up to 20% of their QBI from their taxable income

- **Expanded Income Thresholds:** Full deduction available below \$364,200 (joint) / \$182,100 (single); phase-out now extends to \$464,200 / \$232,100; recalculate eligibility.
- **Minimum \$400 Deduction:** If active Qualified Business Income (QBI) is less than \$1,000, claim at least \$400 (indexed for inflation); ensure material participation.
- **Optimize Wages & Property:** Adjust W-2 wages or invest in qualified property to meet deduction tests as income rises.
- **Action:** Consider entity structure for better alignment with wage/property rules; review business classification (e.g. law, health, consulting) for allowable partial deduction now.

Additional Provisions & Actionable Insights for Business Owners

- **Capital Investment:** 100% bonus depreciation restored and \$179 limit raised
 - Consider accelerating purchases of eligible equipment, software, and vehicles.
- **Business Interest Deduction (§163j):** Capitalized interest now limited.
 - Re-model debt service and consider preferred equity or partner loans as alternatives.
- **Executive Compensation:** \$1 million deduction now applies across affiliated service groups.
 - Re-visit comp structures for public or IPO-bound businesses.

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