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Private Wealth Alert

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One Big Beautiful Bill: Impact on high net worth individuals & families

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Major federal tax law changes under the One Big Beautiful Bill Act bring lower rates, higher estate and gift exemptions, and new opportunities for high net worth individuals and families.

What's the impact?

- The OBBBA permanently extends the reduced TCJA-era income and capital gains tax rates for individuals, trusts, and estates and the US corporate income tax rate of 21%.
- The qualified small business stock (QSBS) exclusion is expanded under the OBBBA, potentially creating new and expanded planning opportunities.
- The law permanently increases federal gift, estate, and generation-skipping transfer (GST) tax exemptions.

The One Big Beautiful Bill Act (OBBBA), signed into law by President Trump on July 4, 2025, introduces sweeping changes to federal tax law, with some important implications for high net worth individuals, business owners, and tax-exempt organizations. The legislation builds on and permanently extends many provisions of the Tax Cuts and Jobs Act (TCJA) that would have sunset in 2026 and introduces some new rules and planning opportunities.

This alert highlights various provisions of particular importance to high net worth individuals and families.

Individual, trust, and estate income tax rates

The OBBBA retains the income tax rate reductions from the 2017 TCJA for individuals, trusts, and estates. The highest marginal ordinary income tax rate of 37%, which was scheduled to sunset and thereby increase on December 31, 2025, is now permanent. Similarly, the OBBBA preserves the existing tax rates for capital gains and qualified dividends, with a top marginal rate of 20%.

Additionally, the OBBBA places new limitations on the benefit of itemized deductions for high-income earning individuals. Beginning in 2026, itemized deductions for taxpayers in the highest marginal income tax bracket of 37% will be limited to a 35% benefit. Likewise, the OBBBA imposes new limitations on charitable deductions available to high-income earners.

Corporate income tax rate

The OBBBA retains the US corporate income tax rate of 21%, which will benefit US business owners. This relatively low rate compared to other developed countries creates a strong incentive for international families to continue structuring investments and other holdings using US companies.

Qualified small business stock (QSBS) exclusion

The OBBBA enhances and broadens the exclusion on capital gains derived from QSBS acquired after the OBBBA's enactment date of July 4, 2025. Under prior law, an issuing company's aggregate gross assets could not exceed $50 million at the time of issuance in order for investors to benefit from the QSBS capital gains tax exclusion. The OBBBA raises that ceiling to $75 million.

Under prior law, the maximum gain excludable from gross income by holders of QSBS was $10 million. The OBBBA increases the maximum exclusion to $15 million. Furthermore, for shares held for a minimum of only three years, 50% of QSBS gain is excludable from gross income. The exclusion increases to 75% for shares held for a minimum of four years and 100% for shares held for five years or more.

Federal gift, estate, and generation-skipping transfer (GST) taxes and exemptions

Gift, Estate & GST Taxes	Current Law under TCJA in 2025	~~Scheduled Sunset under TCJA in 2026~~	New Law under OBBBA in 2026
Maximum Tax Rates	40%	~~40%~~	40%
Exemption Amounts	$13.99 million per person, indexed for inflation	~~Estimated $7 million per person, indexed for inflation~~	$15 million per person, indexed for inflation thereafter

The OBBBA permanently raises the federal exemptions for gift, estate, and GST taxes to $15 million per US citizen and US domiciled non-citizen individual, effective January 1, 2026. These exemptions will be adjusted annually for inflation thereafter.

This is an increase from the existing TCJA's $10 million per individual, which amounts to $13.99 million in 2025 after giving effect to inflation adjustments. With this change, there is no longer any concern that the TCJA exemption will "sunset" in 2026, something that would have caused a significant reduction in the amount that could be passed tax free to the next generation.

The OBBBA made no changes to the maximum gift, estate, and GST tax rates, which remain at 40%. There also was no change to the $60,000 exemption available to the estates of non-citizen, non-resident individuals who own US situs assets. Similarly, most other underlying rules related to gift, estate, and GST taxes remain largely unchanged under the OBBBA.

Financial and estate planning opportunities

OBBBA's changes present new planning opportunities for individuals and families. High net worth individuals and families should review their existing estate plans to ensure they are positioned to fully utilize the benefit of the higher gift, estate, and GST tax exemptions come 2026. Individuals and families with net worths below the new federal exemption amounts also should continue reviewing their estate planning where state-level estate taxes remain relevant. These higher exemptions also may enable families to prioritize non-tax aspects of estate planning, such as providing creditor and divorce protections, maximizing income tax savings, managing assets for beneficiaries, planning for business succession, and achieving charitable goals.

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