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# Estate Planning in 2026

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What Still Works, What  
Doesn't, and What's Next

# Agenda

- **60<sup>th</sup> Annual Heckerling Institute on Estate Planning**
  - *Overview of some of the hottest topics from the most recent session.*
- **Estate v. Income Tax Planning**
  - *How to look at estate planning post-OBBBA from a quantitative approach.*
- **Planning Moving Forward**
  - *How to “unwind” past planning or prepare future planning with increased flexibility.*
- **Troublesome Planning Techniques**
  - *What are we seeing around the country from a aggressive planning standpoint.*
- **Questions and Takeaways**

# **60<sup>th</sup> Annual Heckerling Institute on Estate Planning (unofficial review)**

# Disability and Planning

“Cracks In the Safety Net: Aging, Disability, and the Planning Imperative” – Pleat

## Reliance on Private Support is Accelerating

- 18% of the population is living with a disability; 1 in 6 children have a developmental disability
- 20 million adults need help with daily living activities
- 88% of care facilities report staffing shortages and 62% are turning away new referrals
- Eligibility for care and benefits does not guarantee access
- Private funding is no longer optional, yet wealth alone doesn't always buy access

## Planning Implications

- SNTs and ABLE accounts are core financial planning tools
- May require a trust ecosystem, not a single SNT
- Trust should be drafted for flexibility and not prohibit benefits disruption
- Families need a deep bench to replace responsibilities of primary care givers
- Rethink implications of sibling trusteeships

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Source: AB

# QSBS

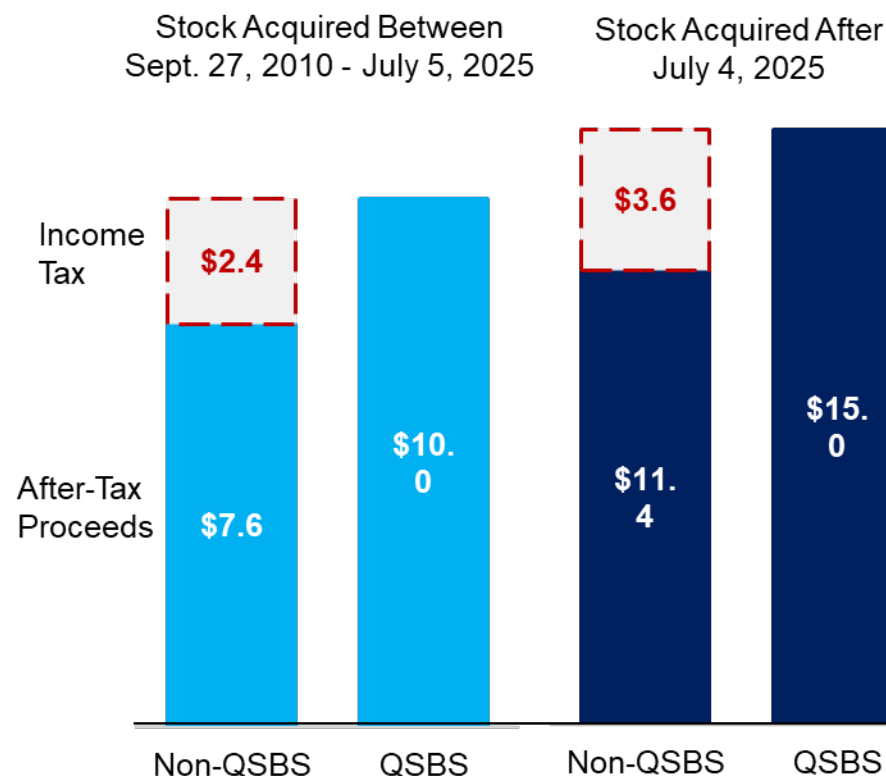
“Scratching the 7 Year Itch” - Lee

## Takeaways

- QSBS is more powerful—but more technical—than ever.
- Advisors should model exits using multiple gain buckets (0%, 28%, and 23.8%).
- Early involvement is essential: original issuance, entity selection, basis planning, and redemption hygiene drive outcomes.
- Expect forthcoming IRS rules to narrow abusive strategies; documentation and defensible valuations will be crucial.
- For founders, early employees, and growth stage companies, QSBS planning should be integrated into capital raises, conversions, and exit planning from day one.

## QSBS Savings – Federal Taxes

Effective Capital Gains Tax Rate: 23.8% - (\$Millions)



Source: AB and IRC §1202.

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# Trustee Duties

“The Day, That Duty...Died” – Hayes, Harrington, Hunt, & Lipson

We counsel clients to be wary of corporate trustees looking to manage a client’s assets because it is unlikely a corporate trustee would ever fire themselves as an investment manager, but there are additional inherent conflicts we should help clients identify and consider when choosing whether to use a corporate trustee and which corporate trustee to select.

- **Conflict 1:** Corporate trustee willingness to serve vs. beneficiary welfare. There’s an inherent conflict between corporate trustees, who want to avoid being sued and do minimal work for maximum fees, and the fiduciary responsibility owed to beneficiaries.
- **Takeaway from conflict 1:** We want a corporate trustee to have flexibility, but not so much that it endangers the grantor’s intent or the beneficiaries’ benefit.
- **Conflict 2:** Honoring donor intent vs. benefitting the beneficiary. Corporate trustees often seek to honor donor wishes to bring in more business, but that can have risks to beneficiaries.
- **Takeaway from conflict 2:** Clients should consider how their intent (silent trust, concentrated positions, directed trusts) could harm beneficiaries in the future. Separating roles, such as having a separate investment advisor can protect beneficiaries while honoring donor intent.

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# GRAT Immunization With Promissory Notes

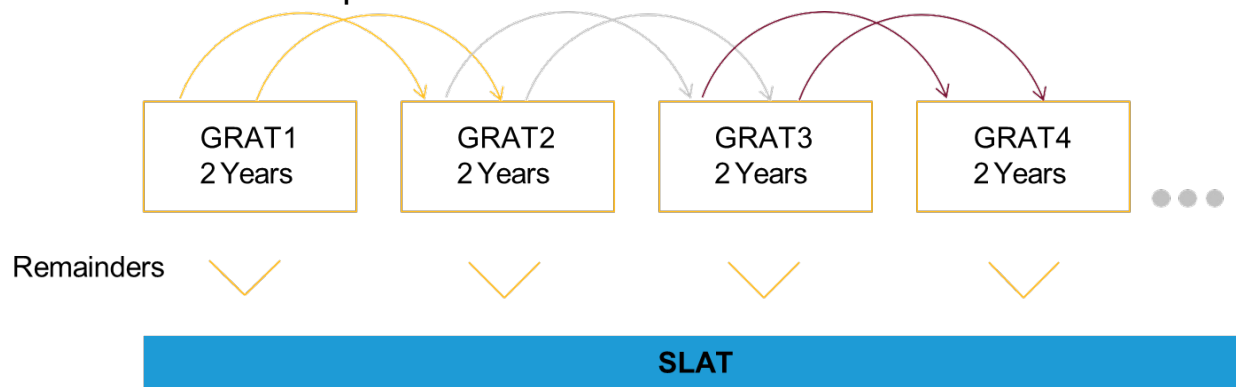
“Recent Developments 2025” – Berry, Donaldson, & McCaffrey (Pages 94-111)

## *Elcan Case*

- Funded rolling GRATs with \$687 million worth of shares. After appreciation, the Grantors used their swap powers to reacquire assets in exchange for promissory notes. The Trustees then distributed the notes in satisfaction of the annuity payments.
- IRS argued that the annuity interests were not qualified interests under Section 2702 because the Trustees had satisfied the annuities with the Grantor’s notes.

## Takeaways

- IRS is on a “crusade” against GRATs / Political challenges on the horizon for the IRS
- Alternative options:
  - Pay Grantor’s note before annuity payment date (with own funds or borrowed funds)
  - Possibly have the Grantor’s spouse immunize the GRAT



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# Inherited Retirement Accounts

“The Executor and Trustee Guide to Inherited Retirement Accounts: Obligations and Opportunities”  
Choate

- **Why This Matters**
  - SECURE, SECURE 2.0, and the July 2024 Final RMD Regulations reshaped post-death administration. Executors, trustees, and advisors now have tight timelines, limited flexibility, and high-risk points where an error can permanently accelerate taxation.
- Executor Must-Do Actions (First 9-12 Months)
- Beneficiary Movement of Assets – What is Actually Allowed
- Trust Planning: Conduit Trusts and the BFD Window
- Disclaimers and Cleanup Tools
- The IRD Deduction – Often Overlooked, Sometimes Game-Changing

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Source: AB

# Attorney-Client Privilege

“Making 1+1>2 – Keys to Effective and Ethics-Savvy Cross-Disciplinary Collaboration”

Wolven, Goepfert, & Park

Analysts are often asked to alter WFAs based on a client’s assumptions (about business growth, expected income, etc.). Kovel letters don’t typically cover representatives from RIAs unless we are hired by the attorney and are necessary for the attorney to give legal advice. Often, clients ask analysts to alter assumptions in WFAs in manners that enhance a client’s wealth-transfer strategy.

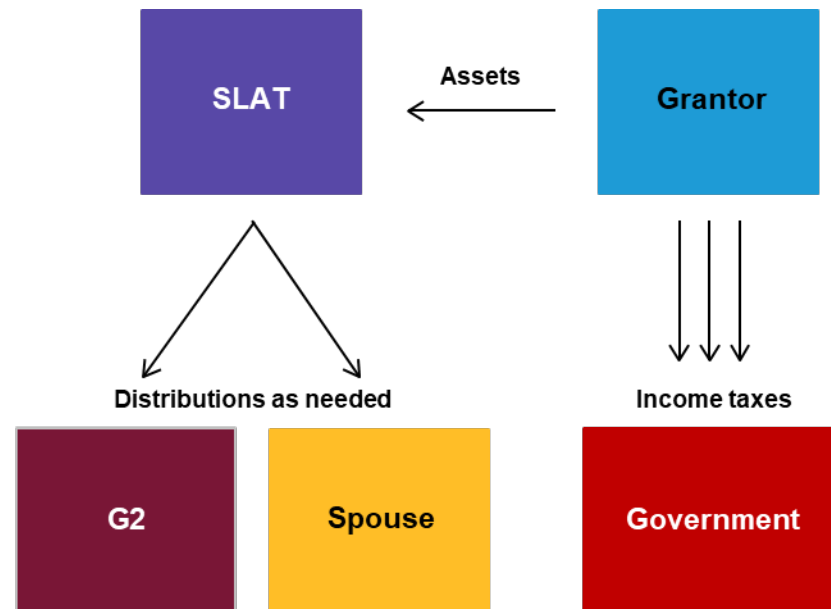
- **Lesson:** We cannot assume our communications with a client are privileged.
  - If we are specifically concerned with preserving confidentiality, communication has to flow from the attorney, not the client. The relevant letter (the “Kovel letter”) should come from the attorney and make us agents of the attorney. Such a letter needs to be in place BEFORE the communication occurs.
- **Practical takeaway:** If you are copied on emails where the legal strategy behind client assumptions in our WFAs are discussed, take yourself off the email chain. Have the attorney direct you as to the assumptions you should include in the WFA. A client may not know that forwarding email chains to you risks losing confidentiality.

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# SLATs and Divorce

“SLATs – Third Wheel (or Third Rail!) of Planning for Married and Divorcing Couples: Ethical, Practical, and Tax Considerations” - Loomis-Price & Dougherty

- Facts that can lead to inclusion of a SLAT’s value in a property division
- How to access an overfunded SLAT
- The back-ended SLAT
- Estate inclusion of SLATs



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# Trust Modification

“Splitting the Difference – Structuring and Restructuring Interests in Trusts” - Zeydel

- Income and transfer tax concerns for amendment
- Income and transfer tax concerns for decanting
- GST considerations re modifying a trust, including through an exercise of an LPOA
- Special considerations re QTIPs under IRC 2519

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# Much Ado About Nothing?

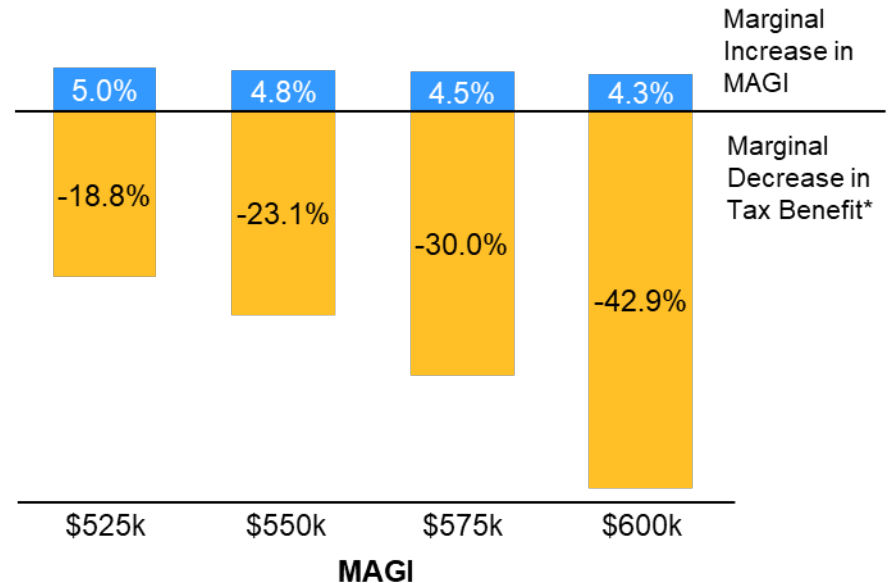
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## Implication of Excess MAGI on SALT Deduction Benefit

\$40,000 Deduction Limitation; 2025 Phaseout Range

MAGI	Excess MAGI	SALT Cap Reduction	Deduction Limitation	Deduction Benefit*	Marginal Increase in MAGI	Marginal Decrease in Benefit
\$500k	\$0	\$0	\$40,000	\$14,000	0%	0%
\$525k	\$25k	(\$7,500)	\$32,500	\$11,375	5%	-19%
\$550k	\$50k	(\$15,000)	\$25,000	\$8,750	5%	-23%
\$575k	\$75k	(\$22,500)	\$17,500	\$6,125	5%	-30%
\$600k	\$100k	(\$30,000)	\$10,000	\$3,500	4%	-43%

## Marginal Decrease SALT Deduction Benefit Per Marginal Increase (5% to 4.3%) in MAGI Over \$500,000 Percent Change



The steep marginal decline in tax benefit provides strong incentive for Taxpayers in phaseout range to reduce MAGI

\*Assumes a 35% tax rate.

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# State Tax Developments

Questions and Answers Panel – Berry, Donaldson, & McCaffrey

- Intended consequence of OBBBA: **States now responsible for things that federal government used to cover**
- State revenue-raising responses (so far)
  - Decoupling (DC, DE, IL, MI, PA, RI)
  - VA proposals
    - 3.8% NIIT
    - Highest marginal rate in the US
  - WA: 35% estate tax
  - CA: Proposed one-time 5% tax on net worth of billionaires
- Keeping track of state-by-state issues already was hard
- Extra vigilance needed now

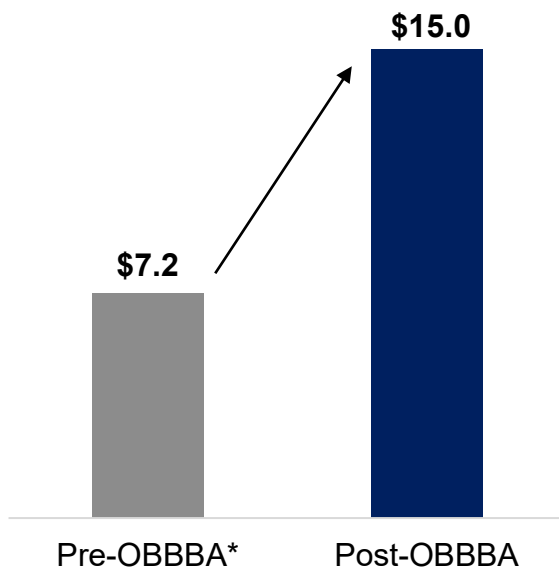
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# Wealth Transfer Tax Planning

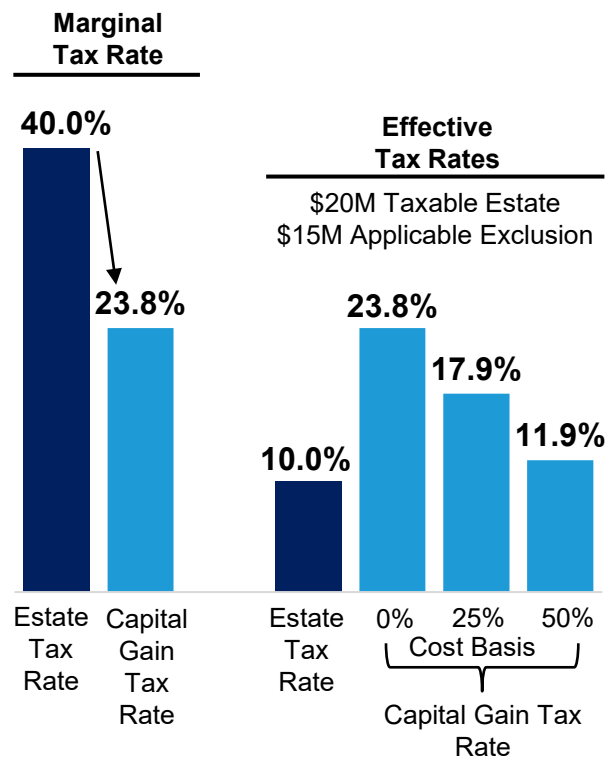
# Wealth Transfer Tax Planning: A Paradigm Shift

## Prioritize Income Tax Efficiency Over Estate Tax Minimization

### 2026 Pre- vs. Post OBBBA Exclusion (Estate/Gift Exclusion & GST Exemption) \$Millions



### Effective Wealth Transfer Cost Marginal vs. Effective Tax Rates



### Wealth Transfer Planning Considerations Post-OBBBA Enactment

- **Increased Exclusion:** Permanent increase in gift-and-estate-tax exclusion to \$15 million per person, indexed for inflation.
- **Impact on High-Net-Worth Taxpayers:** Emphasis shifts to prioritizing income-tax efficiency and basis management over traditional estate-tax avoidance.
- **Free Basis “Step-up” Advantage:** Up to \$15M (\$30M married couple) avoids both capital gains tax and estate tax at death
- **Strategic Planning:** Leverage step-up in basis for optimal estate planning and wealth preservation.

\*Assumes 3% inflation adjustment for 2025.

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# Wealth Transfer Tax Planning: Value of a “Free” Step-Up

## Stepped-Up Cost Basis at Death vs. Carry-Over Basis for Transfers During Life

### Income Tax Basis Rules

Inherited vs. Gifted Property

- **I.R.C. §1014 – Basis of Property Acquired from a Decedent**

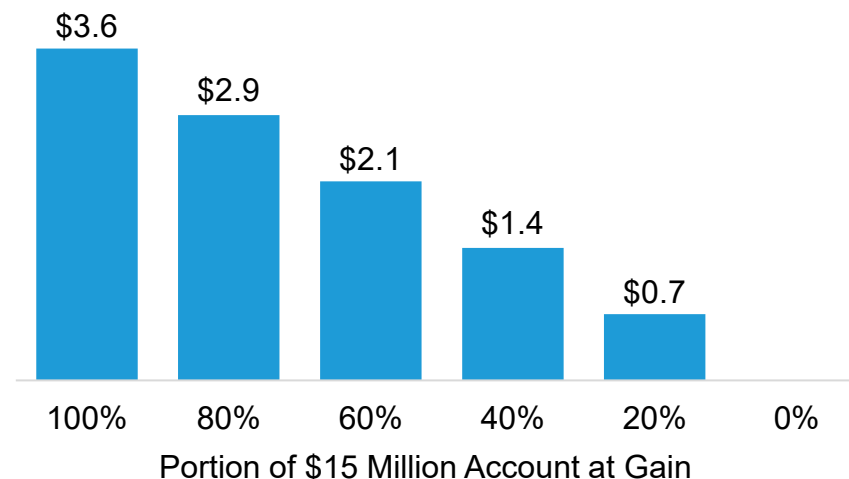
- **General Rule:** Basis is FMV at death,<sup>1</sup> no unrealized gain/loss.
- **Eligibility:** Includes estate property, direct inheritance, probate assets, and general power of appointment.
- **Pass-Through Benefits:** Stepped-up basis in partnerships/S-corps allows tax-free distributions.
- **Exclusions:** Income and respect of a decedent (IRD) § 691<sup>2</sup>
- **Community Property:** Full step-up/down at first death.

- **I.R.C. §1015 – Basis of Property Acquired by Gifts**

- **General Rule:** Gifts keep donor's basis; no step-up for recipient.
- **Built-In Loss Exception:** FMV floor to prevent tax loss transfer.
- **Gift Tax Adjustment:** Gift tax on appreciation added to basis.
- **Holding Period:** Transfers to recipient.

### Value of a “Free” Step-Up of Cost Basis

\$15 Million Estate/Gift Tax Exclusion (\$ Millions)



<sup>1</sup> Alternative Valuation Date: Per I.R.C. §2032(a), the executor may elect to determine the value of the gross estate by valuing all included property as follows: (1) Property distributed, sold, exchanged, or otherwise disposed of within 6 months after the decedent's death is valued at the date of such transaction. (2) Property not disposed of within 6 months is valued at the date 6 months after the decedent's death. This election under I.R.C. §2032(c) is only available if it results in a reduction of both the gross estate value and the estate tax liability.

<sup>2</sup> For example traditional IRAs, unpaid salary, and amounts received from annuities in excess of cost basis. IRD retains carryover basis and is taxable to the decedent's estate or beneficiary directly. **For illustrative purposes only. Bernstein does not provide tax, legal, or accounting advice. Consult professionals in these areas to discuss your individual circumstances before making decisions.**

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# Wealth Transfer Planning: A Multi-Variable Problem

Ten Key Variables Influencing Today's Lifetime Wealth Transfer Calculus



Time Horizon



Spending



Value of Assets



Cost Basis of Assets



Return and Income Tax Character of Assets



Anticipated Timing of Income Tax Realization



Investment and Non-Investment Income



Decedent's State of Residence



Inflation







Beneficiary's State of Residence

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# Not All Basis is Created Equal

Some Assets Benefit From “Step-Up,” Others May Not

Relative Value of “Step-Up”	Asset Type	Tax Characteristic
<p>“Step-Up” Most Beneficial</p>  	Creator-Owned Copyrights, Trademarks, Patents & Artwork	Ordinary Income to Long-Term Capital Gain
	“Negative Basis” Commercial Real Property LPs	Ordinary & Long-Term
	Artwork, Gold & Other “Collectibles”	28% Long-Term
	Low Basis Stock	20% Long-Term
	High Basis Stock	Minimal Gain
<p>“Step-Up” Least Beneficial</p>  <p>No “Step-Up”</p> 	Fixed Income	Typically, Minimal Gain
	Roth IRA Assets	Tax Free & No Surcharge
	Cash	Basis = Face Value
	Stock at Loss	Capital Loss Erased
	Variable Annuities	Partially IRD
	Traditional IRA & Qualified Plan Assets	100% IRD

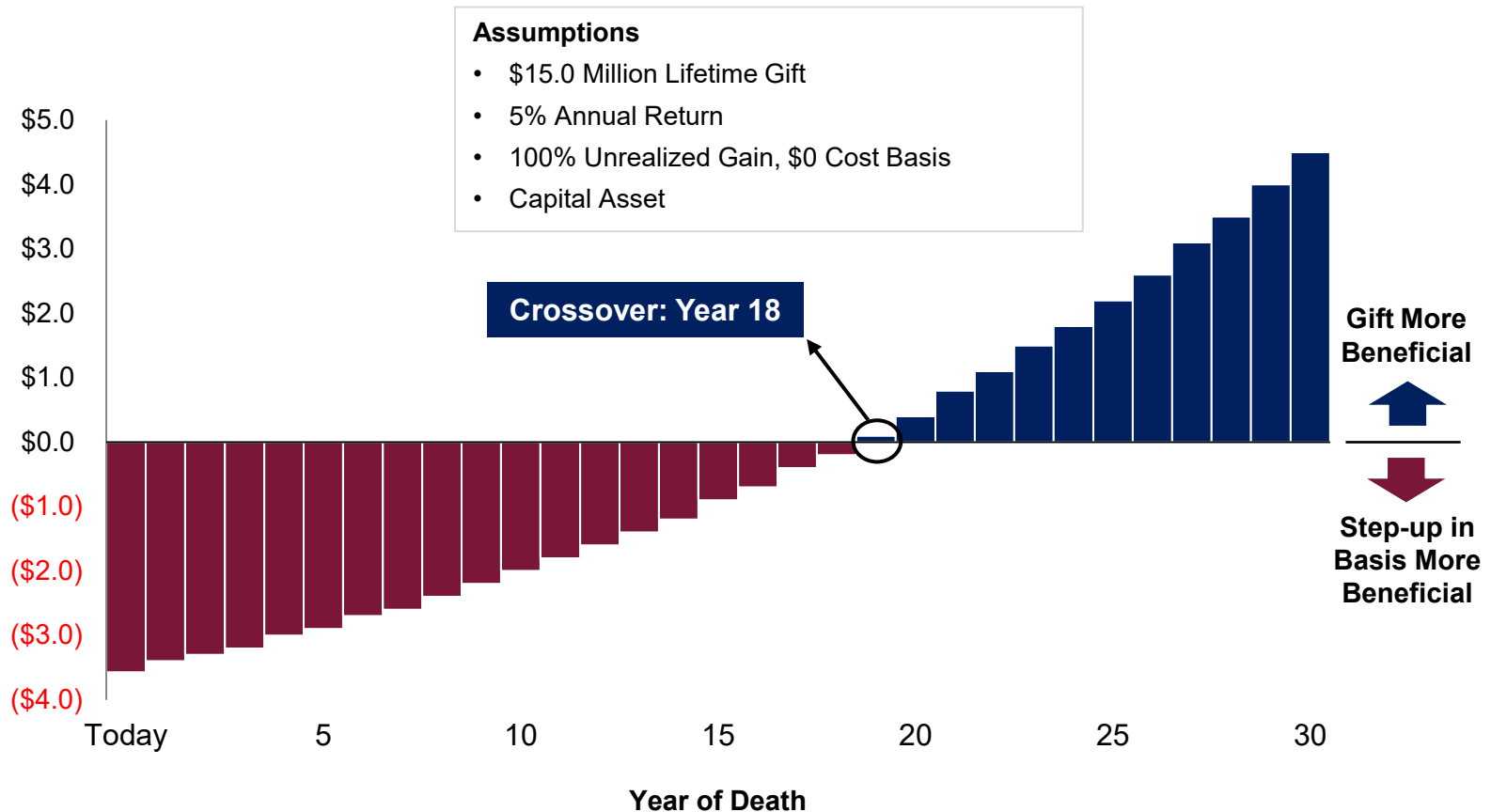
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# Crossover Analysis: Gifts of High Gain Assets Require Long-Time Horizons

Identifying Crossover Points is Crucial for Optimizing Estate Planning Strategies

## Relative Benefit of Gift (\$Millions)



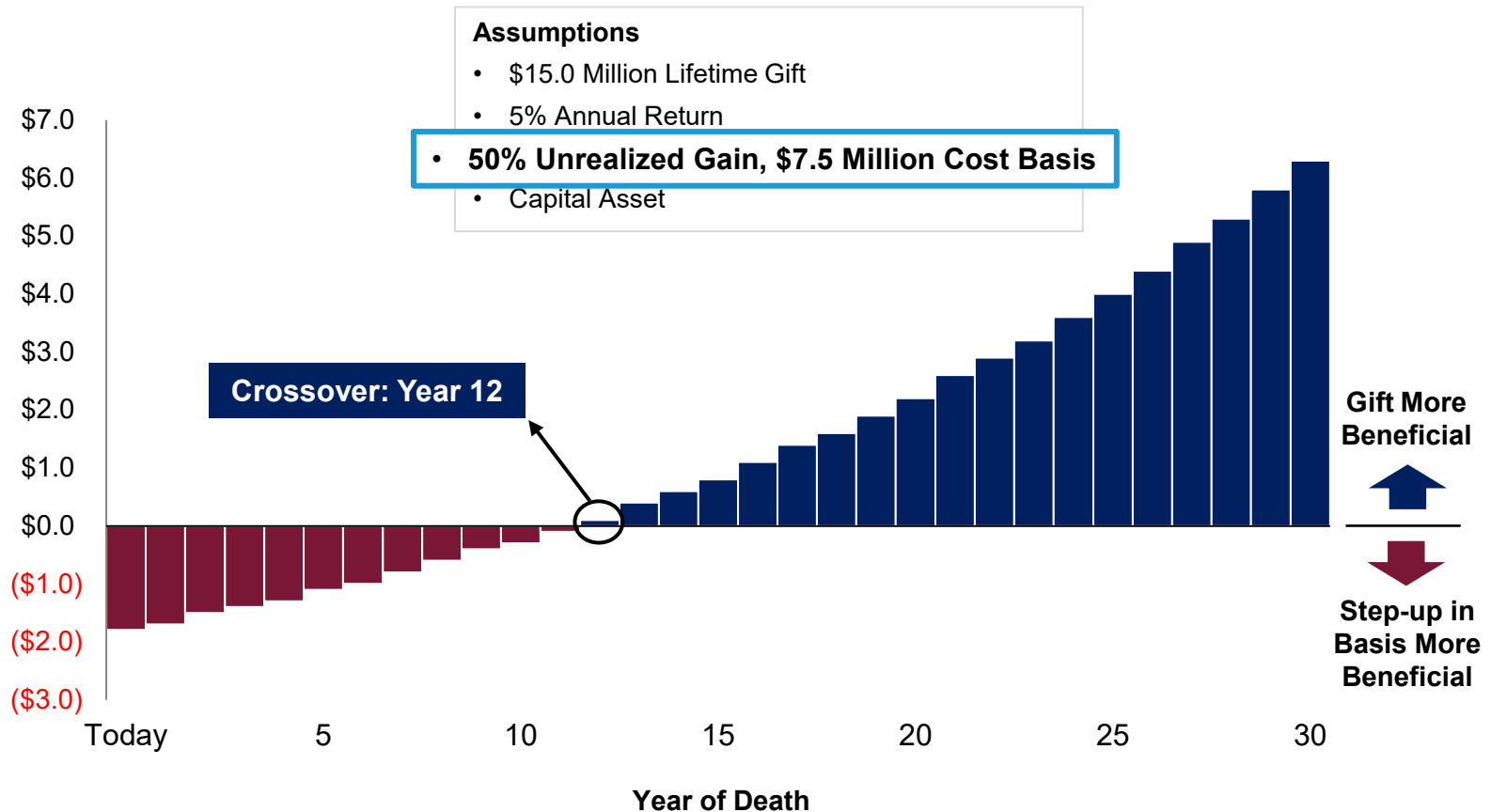
Values represent the difference in beneficiary wealth resulting from a lifetime gift or a bequest at death. Assumes \$15 million of applicable exclusion is available at the time of the gift. Values are net of capital gains and estate tax assuming a top federal capital gain tax rate of 23.8%. For illustrative purposes only. Data do not represent past performance and are not a promise of actual results or a range of future results.

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# Crossover Analysis—50% Gain: Additional Basis Decreases Crossover

Identifying Crossover Points is Crucial for Optimizing Estate Planning Strategies

**Relative Benefit of Gift**  
(\$Millions)



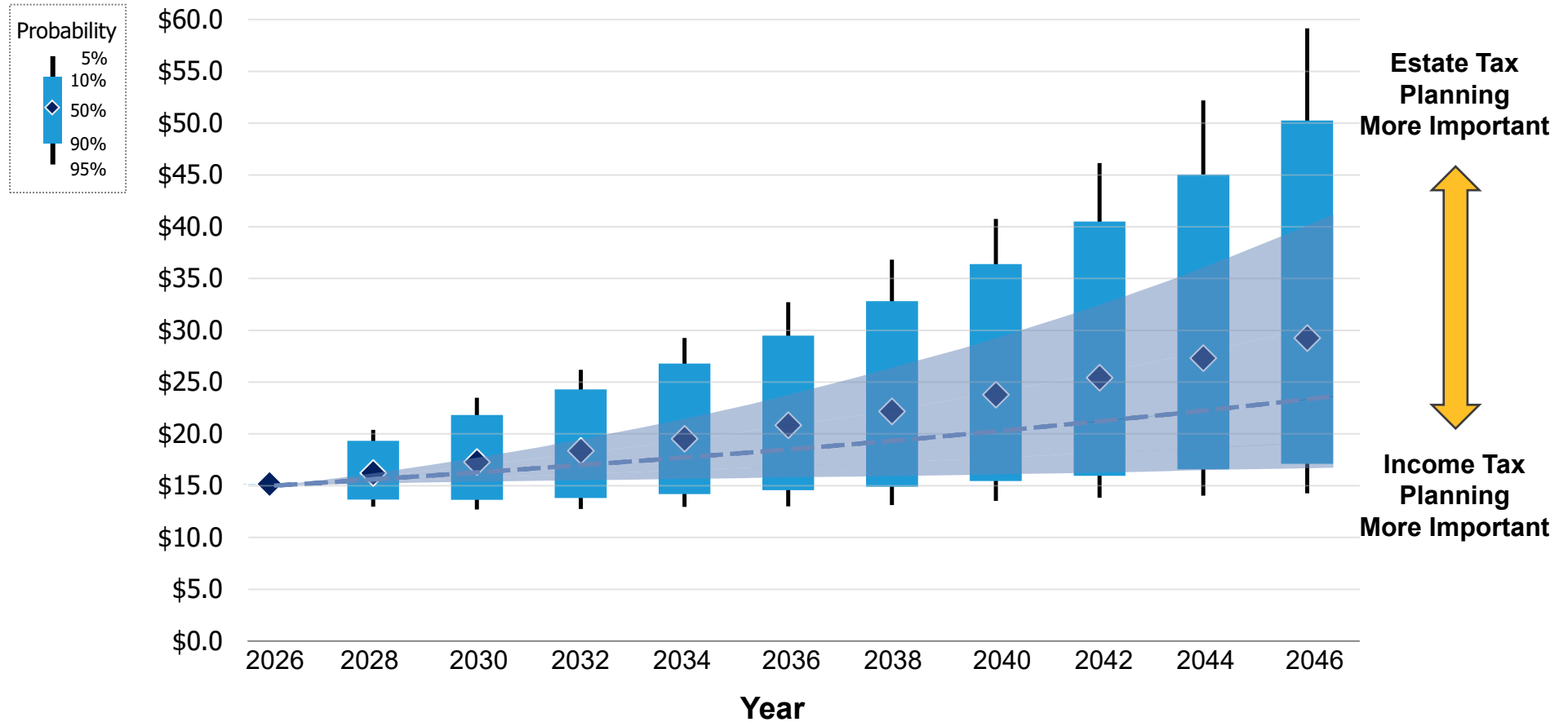
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# Planning Framework: Compare Forecasted Estate Value and Exclusion

Wealth Transfer Tax Planning vs. Income Tax Planning

**Range of Estate Value vs. Applicable Exclusion Over Time\***  
\$Millions, Nominal



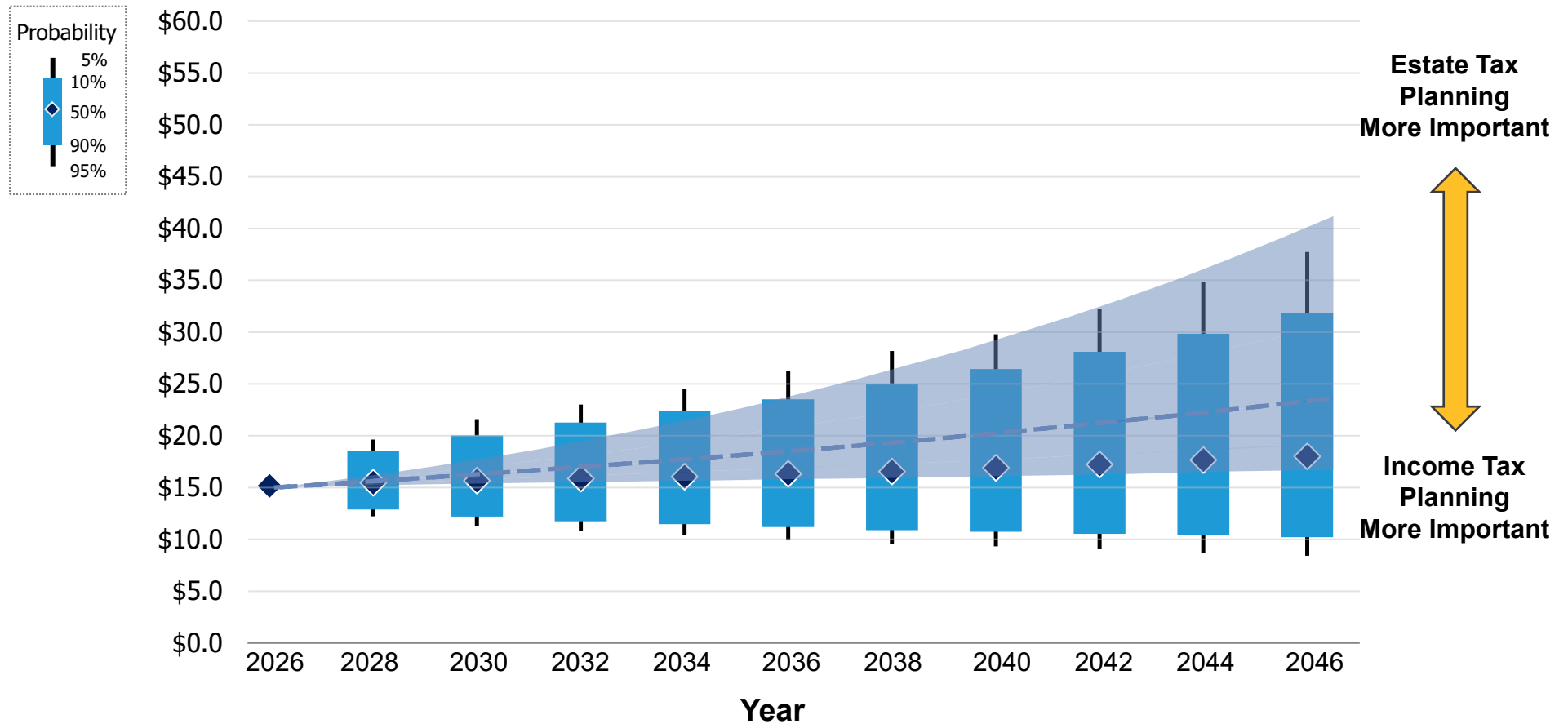
For illustrative purposes only. Based on Bernstein's estimates of the range of returns for the applicable capital markets. **Data do not represent past performance and are not a promise of actual results or a range of future results.** See Appendix, Notes on Wealth Forecasting System, for details.

Source: AB

# Planning Framework: Compare Forecasted Estate Value and Exclusion

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Source: AB

# Modifying Previous and Future Planning

# Tax Planning Tool Box

## Estate Tax Strategies

- Gifts
- Early Use of Exclusion
- Grantor Retained Annuity Trusts (GRATs)
- Installment Sales
- Grantor Trusts
- Spousal Lifetime Access Trusts
- Charitable Lead Annuity Trusts (CLATs)

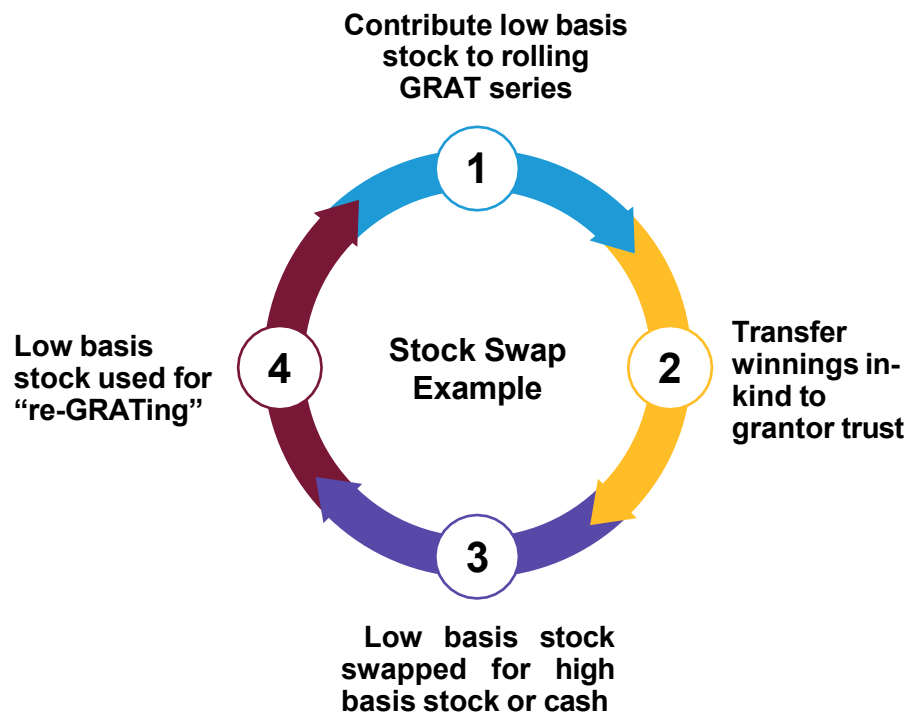
## Income Tax Strategies

- Out-of-State Non-Grantor Trusts
- **Asset Swapping**
- Tax-Loss Harvesting
- Exchange Funds
- **Private Placement Life Insurance (PPLI)**
- 1031 and 721 Exchanges
- Charitable Remainder Trusts (CRTs)
- Donor-Advised Fund/Foundation

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# Among the Available Tools, Two Income Tax Strategies Stand Out

## Using the Power of Substitution



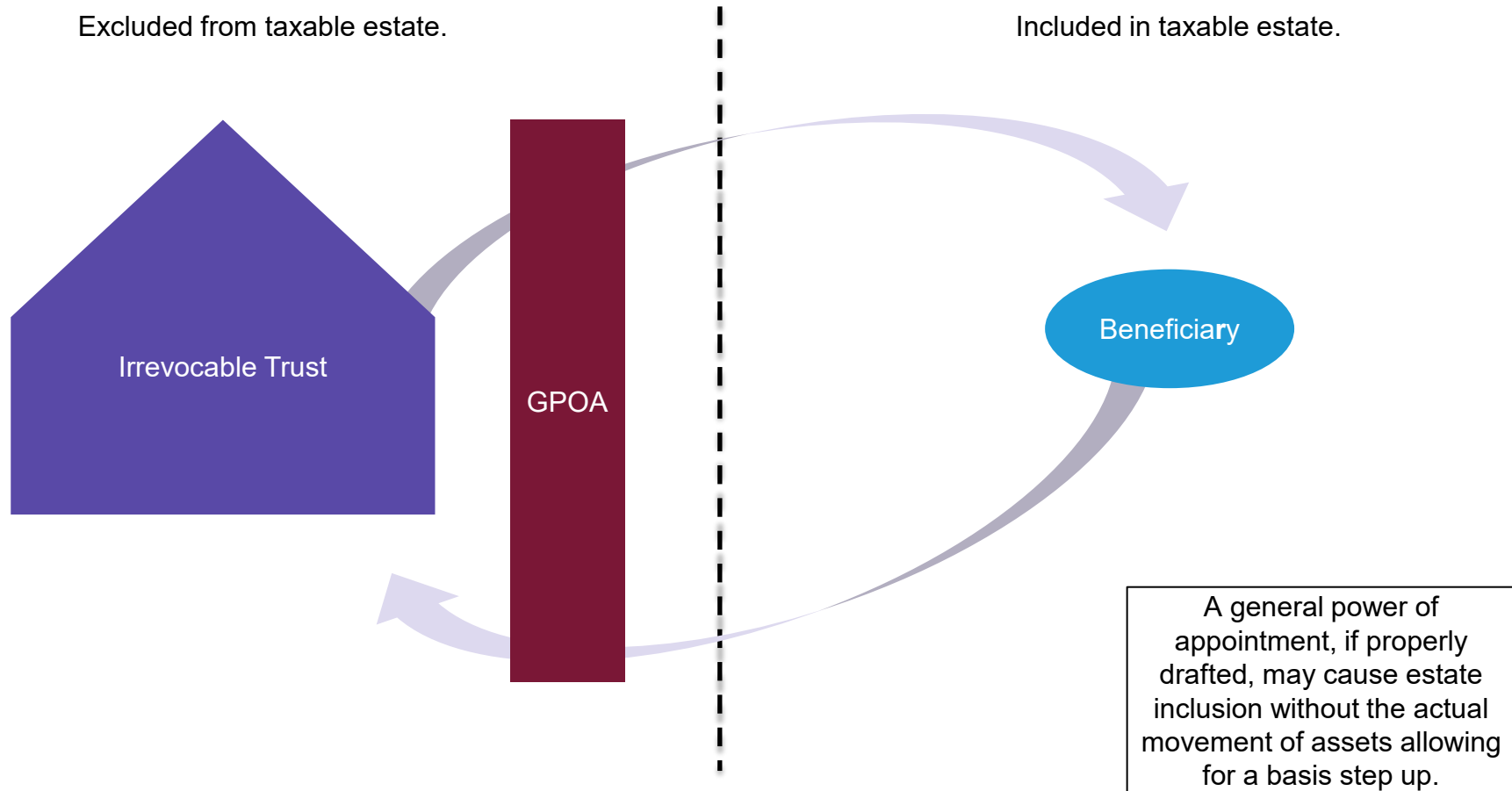
## Using PPLI to Create “Synthetic” Step-Up in Basis

- Aims for **high cash value** versus relatively low death benefit to minimize the fee drag
- Allows the **cash value** to ultimately **drive up the death benefit** over time
- Commonly held until death since **the benefit is not usually subject to income tax**
- Proper structuring helps ensure **access to the cash value tax-free during the owner’s lifetime**

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# Basis Harvesting Provisions

Do they work and are there any concerns?



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# Troublesome Trends and Tax Strategies

# Deferred Sales Trusts

A different type of DST.

- What they are: A promoted structure, not a statutory trust type, typically designed to mimic an installment sale under IRC §453 using a third-party trust.
- How they work (conceptually): Asset is sold to a trust before a third-party sale → proceeds invested by the trust → seller receives installment payments over time, deferring capital gains.
- Why clients hear about them: Marketed as a flexible alternative to outright sales, 1031 exchanges, or CRTs, with perceived tax deferral and reinvestment flexibility
- Key limitations & risks:
  - Deferral only works if installment sale rules are strictly respected.
  - Often economically similar to installment sales to ING-style trusts.
  - Promoter control, trustee independence, valuation, and timing are critical.
  - No endorsement by IRS; aggressive implementations raise audit risk
- Bottom line: A tax deferral mechanism—not tax elimination; highly fact-specific and vulnerable to poor structuring or promoter overreach

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# 643 Trusts

A misreading of the Code.

“...items of gross income constituting extraordinary dividends or taxable stock dividends which the fiduciary, acting in good faith, determines to be allocable to corpus under the terms of the governing instrument and applicable local law shall not be considered income.”

Section 643(b)

- What they are (as marketed): Non-grantor, irrevocable, discretionary “complex” trusts claiming compliance with IRC §643(b)
- Promised benefit: Retain capital gains and passive income inside the trust by redefining fiduciary accounting income vs. taxable income
- Key reality: §643(b) is only a definition, not an authorization for tax deferral or income recharacterization
- IRS posture: Structures explicitly labeled “643-compliant” have been targeted by the IRS as abusive arrangements
- Bottom line: Highly aggressive, fact-dependent, and audit-prone; significant risk of recharacterization and penalties

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Source: AB and IRC §643

# Charitable LLC Planning

- What it is (at baseline): A for-profit LLC used to pursue philanthropic goals through grantmaking, advocacy, or impact investing(Charitable LLCs are not tax-exempt).
- How it's being marketed aggressively: Appreciated assets transferred to a charitable LLC → assets sold → proceeds reinvested while claiming:
  - Reduced or eliminated capital gains
  - Income no longer attributable to the donor
  - Continued influence or indirect access to assets
- Key legal reality:
  - Contributions to a charitable LLC are not deductible
  - The LLC is fully taxable
  - Charitable activity alone does not create tax authority
- Why this raises IRS concern:
  - Tax results disconnected from economic reality
  - Assignment-of-income and substance-over-form risk
  - Retained control or private benefit undermines charitable framing
- Bottom line: A charitable LLC can be a philanthropic tool, but when used to eliminate or indefinitely defer tax, it becomes highly aggressive and audit-prone

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# Appendix

# Some Assets Benefit from a “Step-Up,” Some Do Not

Asset Type	Comments
<b>Creator-Owned Patents, Copyrights, Trademarks and Artwork</b>	During the life of the creator of intellectual property and artwork, the creator has a zero basis in the asset, and all payments, whether from a sale of the asset or from the licensing of the property are considered ordinary income. On the death of the creator, the property is included in the estate and receives a step-up in basis to fair market value. The beneficiaries receive the asset immediately as a long-term capital gain asset.
<b>“Negative Basis” Commercial Real Property LP or LLC Interests</b>	Owners of partnership interests with “negative basis” would recognize long-term capital gain and ordinary income upon a taxable transaction due to accelerated depreciation and a reduction of the partner’s share of debt. Upon death, the “negative basis” is eliminated because the partnership interests and the underlying property receive a step-up in basis (with a partnership election).
<b>Artwork, Gold and Other “Collectibles”</b>	Artwork and gold (including Gold ETF investments) are considered “collectibles” under the Code, and they are subject to a 28% long-term capital gain tax rate. Gains are also subject to the Medicare surcharge.
<b>Low Basis Stock</b>	Capital asset subject to a 20% long-term capital gain tax rate and the Medicare surcharge. The step-up in basis eliminates the gain.
<b>High Basis Stock</b>	Capital asset subject to a 20% long-term capital gain tax rate and the Medicare surcharge. Because the tax basis is high, very little gain is eliminated by the step-up in basis.
<b>Fixed Income</b>	Most fixed income investments are purchased at or near par and have very little appreciation potential above its basis. As such, very little gain is eliminated by the step-up in basis. A couple of exceptions to this rule include bonds purchased at a deep discount and long duration bonds in a falling interest rate environment.
<b>Roth IRA Assets</b>	With a Roth IRA, the ordinary income tax of a traditional IRA has essentially been prepaid. Because the assets in a Roth IRA will grow income tax free, will be distributed tax free to the beneficiaries, and will not be subject to the Medicare surcharge, this is one of the better things to pass through the estate. Like other IRA and qualified plan assets, during life the owner is unable to gift the assets to non-charitable beneficiaries. As such, these assets are often includible in the estate of the decedent owner.
<b>Cash</b>	Basis of cash is always equal to its fair market value (face value)
<b>Stocks at a Loss</b>	Death constitutes a “step-down” in basis. The capital loss that the decedent could have recognized prior to death is eliminated and does not pass to the beneficiaries.
<b>Variable Annuities</b>	Payments are taxable as ordinary income and return of basis. The ordinary income portion is considered income-in-respect of a decedent (IRD). As such, on death, the beneficiaries continue to recognize the ordinary income portion of the payments, and there is no benefit to the step-up in basis.
<b>Traditional IRA &amp; Qualified Plan Assets</b>	All assets in a traditional IRA and in qualified plans are considered 100% IRD (other than non-deductible contributions to IRAs). As such, there is no benefit to the step-up in basis at the death of the owner, and the beneficiaries continue to be subject to ordinary income (but not the Medicare surcharge) on any distributions. Because these assets can not be gifted during life to non-charitable beneficiaries, these assets are problematic in that they often use up the decedent’s applicable exclusion amount for estate tax purposes (unless given to the spouse or charity). The benefit of the IRD income tax deduction has been reduced because the transfer tax rate is lower (40%).

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# New Tax Legislation: "One Big Beautiful Bill Act"

## Key Provisions for Individuals

- **Estate Gift and Generation-Skipping Transfer (GST) Exemption:** Permanently increases to \$15 million, indexed for inflation effective 2026.
- **Income Tax Rates and Standard Deduction:** Permanently extends current tax brackets (top rate 37%) and maintains higher standard deduction.
- **Alternative Minimum Tax (AMT):** Permanently extends increased individual AMT exemption but slightly reduces the phase-out thresholds.
- **Deductions Limitations:**
  - **Itemized Deductions:** Permanently eliminates most miscellaneous itemized deductions and replaces the "Pease" limitation with an overall cap limiting the deduction benefit to 35%. The personal exemption is also eliminated.
  - **Mortgage Interest Deduction:** Permanently maintains current mortgage interest deduction limitation (first \$750,000 of acquisition debt; home equity debt not deductible)
  - **State and Local Tax (SALT) deduction Cap:** Beginning in 2025, cap increases to \$40,000, phasing out for taxpayers with modified adjusted gross income (MAGI) over \$500,000 (\$250,000 for married filing separately). Cap increases by 1% annually until reverting to \$10,000 in 2030.
- **Expanded Deductions and Credits:**
  - **Dependent Care Assistance:** Increases exclusion to \$7,500 annually beginning in 2026.
  - **Child and Dependent Care Tax Credit:** Increases the maximum credit rate to 50% beginning in 2026.
  - **Casualty Loss Deduction:** Limited to federally and state-declared disaster areas; must also exceed 10% of the taxpayer's income.
  - **Senior Deduction:** 2025 to 2028, seniors 65 or older can claim a \$6,000 deduction, subject to phaseout for MAGI over \$75,000.
  - **Child Tax Credit:** Permanently increased to \$2,200, indexed for inflation, higher income phase-out threshold maintained.
- **Charitable Contributions:** Beginning 2026, non-itemizers can deduct up to \$1,000 (\$2,000 for married couples filing jointly). However, deduction for itemizers is limited to contributions exceeding 0.5% of adjusted gross income (AGI). Additionally, the 60% AGI limitation for cash contributions to qualified charities was permanently reintroduced. Beginning in 2027, a new tax credit of up to \$1,700 is available for cash contributions to scholarship-granting organizations.
- **Qualified Opportunity Zones:** Starting in 2027, investment incentives in opportunity zones are permanently renewed, offering capital gain deferral for up to five years, a 10% basis step-up (30% for qualified rural funds) after five years, and permanent exclusion of gains after 10 years.

# New Tax Legislation: "One Big Beautiful Bill Act" (Cont'd)

- **New Temporary Deductions (2025-2028):** Taxpayers can deduct up to \$25,000 in tips and \$12,500 (\$25,000 for married couples filing jointly) for overtime pay, phasing out at \$150,000 (\$300,000 for married couples filing jointly) of MAGI. Additionally, up to \$10,000 in interest on loans for U.S.-assembled personal-use vehicles can be deducted, phasing out at \$100,000 (\$200,000 for married couples filing jointly) of MAGI. Available to both itemizers and non-itemizers.
- **New Trump Accounts:** Tax-deferred accounts for U.S. citizens under 18, similar to IRAs, can be set up 12 months post-enactment. Parents and taxable entities can contribute \$5,000 annually, non-deductible, inflation-adjusted, while tax-exempt entities have no limits. Employers can add \$2,500 (excluded from employee wages), inflation-adjusted. Investments restricted to funds tracking a qualified index, with fees capped at 0.1%. Distributions taxed like IRAs and prohibited until age 18. A pilot program offers \$1,000 per child born between December 31, 2024, and January 1, 2029. Accounts are automatically established by the U.S. Treasury unless one is established prior to first tax return as dependent.

## Key Provisions for Businesses & Business Owners

- **Qualified Business Income (QBI) Deduction (§199A):** Permanently extends the 20% deduction, with relaxed phase-in limits and restrictions.
- **Excess Business Losses:** Permanently extends limitation on excess business losses for noncorporate taxpayers.
- **Qualified Small Business Stock (QSBS) Exclusion:** Permanently provides QSBS gain exclusions of 50% for stocks held three years, 75% for four years, and 100% for five years; increases per issuer exclusion to \$15 million and corporate asset limitation to \$75 million, inflation-adjusted. Effective for QSBS shares issued after July 4, 2025.
- **Bonus Depreciation:** Permanently extends 100% bonus depreciation for property acquired and placed in service after January 19, 2025.
- **Research and Experimental Expenditures:** Allows full immediate expensing of domestic research expenses for tax years starting after December 31, 2024, while foreign expenses must be amortized over 15 years. Small businesses (annual gross receipts under \$31 million) can apply this retroactively to tax years after December 31, 2021.
- **Business Interest Deduction:** The Act modifies the calculation method by effectively allowing businesses to deduct a higher amount of interest expense, as the calculation excludes depreciation, amortization, and depletion, resulting in a higher base.
- **Advanced Manufacturing Investment Credit:** Raises the credit rate to 35% for property in service after December 31, 2025.
- **Corporate Charitable Contributions:** Starting after December 31, 2025, corporations can only deduct contributions exceeding 1% of taxable income, capped at 10%.