

Personal tax planning for individuals and families

Take these steps to plan for opportunities and considerations in 2025 and beyond

RSM

Tax law changes enacted in 2025 and first applicable in either 2025 or 2026 could require you to reevaluate your tax planning. RSM developed this tax planning guide to help you think through opportunities and other considerations for you and your family during the remainder of 2025 and into 2026.

This year's guide reflects key provisions of the One Big Beautiful Bill Act (OBBBA), enacted July 4, 2025, which introduces sweeping changes to the U.S. tax code affecting individual taxpayers, estates and trusts.

We hope this guide will help you evaluate and optimize the tax impact of changing market conditions and new policy developments, including OBBBA's implications for charitable contributions, itemized deductions, qualified business income and opportunity zones.

To learn more, please review the additional resources in the links below and reach out to us to discuss your specific circumstances.

Tax opportunities to seize before the end of 2025

Here are some major issues that you may want to consider in the near future:

Harvesting of losses

Many taxpayers took advantage of gain deferral under the qualified opportunity zone (QOZ) rules between 2017 and 2025. Gains from those QOZ investments will mature in 2026, causing many significant capital gains.

If this applies to you, or if you have capital gains from investments this year, consider selling other loss investments to offset those gains.

Charitable contributions

Beginning in 2026, charitable deductions will be subject to a 0.5% floor and an overall itemized deduction cap, which may significantly reduce the tax benefit of your contributions. Consider accelerating your 2026 charitable contributions into 2025 to maximize your deduction this year.

- Be mindful that charitable contribution carryovers from 2025 into 2026 will be subject to the new floor and limitations. Generally, plan to avoid excess carryovers to preserve the full benefit of 2025 contributions.
- The charitable deduction depends on whether your itemized deductions exceed the standard deduction and may be affected by carryovers from a prior year.

- If you are over age 70½ and own an individual retirement account (IRA), you may be able to make a charitable gift directly from your IRA of up to \$108,000 for 2025. This can also help to avoid the contribution floor in 2026.

Tax-free gifts

There are a number of opportunities to make gifts without paying gift tax. Be sure to evaluate whether any of these may help to decrease your overall gift tax liability.

- You can make gifts up to \$19,000 (for 2025) to anyone without any gift tax consequences. Married couples may double this amount. Ensure that the check is cashed before year-end and that it gives the donee a current interest in property.
- Payments for the education of others are not subject to gift tax as long as they are made directly to the educational institution.
- Payments for medical expenses are also not subject to gift tax as long as they are paid directly to the provider of the services.
- 401(k) contributions: If you have a 401(k) retirement plan, consider maximizing your contribution for the year (up to \$23,500, or \$31,000 if over age 50, for 2025).

Individual income tax: Effects of the One Big Beautiful Bill Act (OBBBA)

The One Big Beautiful Bill Act (OBBBA) made several key changes to the tax code that [individuals should consider](#). Below is a summary of key provisions that will affect individuals moving forward.

Charitable contributions

What did OBBBA change?

- Starting in 2026, OBBBA creates a floor on deductible charitable contributions for itemizers equal to 0.5% of adjusted gross income (AGI).
- Contributions below the floor are carried forward to the extent the taxpayer has other charitable carryforwards from the tax year.
- The 60% of AGI limit for charitable contributions made to public charities has been permanently extended.
- Changes to the ordering rules allow taxpayers to combine cash and property gifts to maximize their deduction at 60% of AGI beginning in 2026.



Planning considerations and opportunities

- Consider accelerating charitable contributions into 2025 before the 0.5% floor is effective: Careful planning should be done to avoid creating carryovers that will eventually be subject to the 0.5% floor post-2025
- Additional incentive exists to "bunch" charitable contributions in certain years: This will allow some taxpayers to get the free increased standard deduction, and only subject their contributions to the 0.5% floor in the year that they make their larger contribution amount
- [Consider donor advised funds](#) (DAFs) as a vehicle to accelerate contributions into 2025 or when bunching contributions in later years. This can allow the deduction in one year while deferring recommendations as to the ultimate beneficiaries of these gifts
- Beginning in 2026, taxpayers who claim the standard deduction may deduct cash donations to public charities (\$1,000 for single and \$2,000 for married filing joint): This may be an option if you wish to bunch deductions in 2025 and take the standard deduction in 2026
- In years when the 0.5% limit applies, generate at least \$1 of excess charitable contributions to preserve a carryforward of the disallowed amount

LEARN MORE

New tax law introduces big changes for exempt organizations and donors

Itemized deductions for individuals

What did OBBBA change?

- Permanently eliminated the miscellaneous itemized deductions: These include tax preparation fees, investment advisory fees, unreimbursed employee expenses and legal fees
- Introduced a new overall limitation on itemized deductions: Effective 2026, itemized deductions are reduced by $\frac{2}{37}$ (two-thirty-sevenths) of the lesser of either total itemized deductions, or taxable income (without considering itemized deductions) that exceeds the 35% rate bracket; this limitation will also affect trusts and estates
- Increased the state and local tax deduction (SALT) cap to \$40,000 (single and married filing joint)/\$20,000 for married filing separately (MFS) for tax years beginning in 2025 until 2029:
 - The increase is fully phased out for adjusted gross income amounts greater than \$600,000 (\$300,000 MFS), with a phaseout that begins at \$500,000 (\$250,000 MFS)
 - Taxpayers with AGI over the fully phased-out limit will receive a deduction of \$10,000; these amounts are set to increase by 1% annually, and the SALT cap is eliminated after 2029



Planning considerations and opportunities

- Reassess the deduction strategy and consider whether taking the standard deduction is better for your cash flow
- Revisit state tax strategies, including the timing of making state and local payments, to maximize the new higher cap
- Evaluate whether pass-through entity tax elections remain beneficial under the new rules, and monitor income thresholds that may trigger phaseouts

Qualified opportunity zones (QOZs)

What did OBBBA change?

- Permanently extended and modified the QOZ program, including the introduction of a rolling 10-year redetermination of QOZ designations beginning Jan. 1, 2027.



Planning considerations and opportunities

- Deferrals under the original program mature in December 2026, even if the investment is not sold, making 2026 a critical year for capital gains planning.
 - Consider harvesting gains throughout the remainder of 2025 and 2026 to maximize the offset
 - Evaluate investments that may create capital losses, such as long/short funds
 - If the fair market value of the fund could be less than its original acquisition, a valuation could reduce your gain recognition
- With a deferred implementation date to allow the original program to reach maturity, taxpayers have time to plan for these new provisions. As of late September 2025, it was unknown what gains would qualify for this new program, but investors should evaluate upcoming capital gains to keep the deferral opportunity open.

[LEARN MORE](#)

OBBBA rekindles opportunity zones: What it means for real estate

Qualified small business stock (QSBS) under section 1202

What did OBBBA change?

There were three significant modifications to the QSBS exclusion:

1. **Tiered exclusion:** Allows taxpayers who have held stock in a qualified company a 50% exclusion for shares held for three years, a 75% exclusion for shares held for four years, and a 100% exclusion for shares held for five years.
2. **Increased per-issuer limitation:** Raises gain exclusion cap from \$10 million to \$15 million (indexed for inflation) for stock acquired after enactment while still leaving available the 10-times-basis limit if greater.
3. **Increased gross asset test:** The exclusion can be available for corporations that have up to \$75 million in gross assets (indexed for inflation), up from \$50 million.



Planning considerations and opportunities

- Investors should carefully assess timing and eligibility for current and future investments.
- For new acquisitions, align timing with holding period and value thresholds. Document acquisition dates, basis and other qualification provisions to preserve potential tax benefits.
- Existing enterprises near the gross asset limit may want to reconsider entity choice. Lower corporate tax rates and the QSBS gains exclusion could make a C corporation more favorable than flow-through entities, such as S corporations and LLCs, especially if your business is not making large distributions and you plan to sell the business after five years.
- Even if you are above the limit, you may consider whether separate businesses within your S corporation or partnership could be incorporated to qualify.
- Consider the benefits of nongrantor trusts and separate entities to multiply the potential exclusion.

[LEARN MORE](#)

OBBBA expands QSBS exclusions: What it means for businesses and investors

Qualified business income (QBI)

What did OBBBA change?

- OBBBA made the 20% QBI deduction permanent, offering long-term certainty for pass-through business owners.



Planning considerations and opportunities

- Business owners can now focus on maximizing their eligibility. Owners should consider reviewing their business structure, income thresholds and the nature of their services, especially if they operate in a specified service trade or business (such as physicians, attorneys, accountants and consultants).

LEARN MORE

Permanent QBI deduction provides some tax planning certainty

Alternative minimum tax (AMT)

What did OBBBA change?

- Made permanent the increased AMT exemption amounts and phaseout thresholds
- Modified the inflation adjustment for the phaseout threshold to \$500,000 (\$1,000,000 for married filing jointly), and increased the phaseout rate to 50%, all effective for tax years beginning after Dec. 31, 2025



Planning considerations and opportunities

- A faster phaseout rate may mean more taxpayers will more quickly lose the exemption.
- Flow-through owners should evaluate and document material participation in research and development (R&D) activities to avoid the AMT adjustment or model the impact in advance to plan for potential AMT exposure.
- Consider elections for amortization of existing or future R&D costs that may allow for the elimination of this additional tax. Realize this is a temporary difference and map out the time value of money from these election decisions.

LEARN MORE

The One Big Beautiful Bill Act: 5 key items for individual taxpayers

Strategic estate and wealth transfer planning

Estate planning: Effects of OBBBA

OBBBA set the estate, gift and generation-skipping transfer (GST) tax exemptions permanently at \$15 million per individual (or \$30 million for married couples) starting Jan. 1, 2026, with inflation adjustments beginning in 2027.

However, keep in mind that no tax law is truly “permanent;” it is crucial to keep estate planning top-of-mind, as future administrations could enact changes to the exemptions.

This perceived certainty can make it easy to avoid daunting decisions about your estate plan; however, waiting may mean that an unforeseen event transfers your assets in ways you don't desire.

Planning today is about fostering responsible stewardship and preparing the next generation to inherit not just wealth, but also the knowledge to preserve and expand it for generations to come.



Consider the following key aspects of responsible wealth transfer:

- The existence of wealth does not cure all. Lifetime gifting can provide opportunities for your loved ones to learn and practice financial management on a smaller scale over time.
- Just as financial skills are developed over time, so too is the ability to lead and manage a business. Consider implementing incentive structures, developing clear ownership transition plans and providing leadership opportunities to nurture their readiness.
- A well-crafted estate plan should include open communication about your values, ensuring your legacy is not just about assets, but the principles that guided your life.

One principle remains clear: A thoughtfully crafted estate plan is essential regardless of the current or future tax law. Embrace the opportunity to build a legacy of responsible wealth transfer.

LEARN MORE



Navigating the uncertain future of the estate/gift and GST exemptions

Generation-skipping transfer tax (GSTT) opportunities

Certain generation-skipping transfers could be subject to an additional 40% tax. You may avoid this tax by utilizing your generation-skipping tax (GST) exemption of \$13,990,000 in 2025—it increases to \$15 million in 2026, with an inflation adjustment thereafter. The GSTT should be a significant consideration in tax planning for transfers to beneficiaries at least two generations younger than the donor.

The GST exemption can be allocated to transfers during life or at death to protect assets from GSTT. This allows you to safeguard your wealth and minimize tax exposure, ensuring a more efficient wealth transfer across generations.



To effectively manage GSTT exposure, it is essential to:

- Determine how much of your GST exemption has been used on prior transfers
- Confirm that the GST exemption was properly allocated to those transfers
- Assess whether remedial action is needed to ensure the allocation aligns with your intentions, especially in light of the increased exemption amounts

**LEARN MORE**

Beware and be aware of the generation-skipping transfer tax

Capitalize on common estate planning opportunities when transferring business interests

If you are contemplating transferring a business interest as part of a business succession plan or ahead of a liquidity event, you should immediately consider potential estate planning opportunities.

- Valuation discounts may decrease after a letter of intent is executed. These discounts can be helpful for estate planning purposes because:
 - More units/shares may be transferred by gift under your gift tax exemption
 - Any future appreciation will accrue outside your taxable estate
- Working with qualified appraisers to determine the proper value of your business interest and coordinate this valuation with the timing of the transfer is important to protect and execute on the planning.
- Cash flow is as much a part of estate and gift planning as tax savings or asset protection. After a gift, the cash flow from that portion of the business will likely no longer accrue to you. This means you must be comfortable with your decision.
- Transaction structure and cash flow projections heavily influence the efficiency and operating viability of any estate plan involving closely held businesses. Not understanding these aspects of your strategy can result in an ineffective plan or headaches down the road.
- Business succession agreements, such as stockholder agreements or buy-sell agreements, are a key part of any succession plan, especially for interests that you may wish to hold on to for your remaining lifetime.
 - In *Connelly v. United States*, the U.S. Supreme Court addressed whether a company with a redemption-type buy-sell funded by life insurance should reduce the company's value by the redemption liability for purposes of the federal estate tax (essentially excluding the value of the life insurance in the valuation). [The court concluded](#) that the company's value was not reduced by the redemption obligation.
 - The result was a surprise tax bill for the heirs and a large reduction in the assets transferred to future generations. If your business has a redemption-type buy/sell agreement funded by life insurance, review your agreement and consider making changes to avoid unintended results.

Transferring a business interest can be time-consuming. There are often multiple strategies to analyze. Upon choosing a strategy, attorneys need to draft documents, appraisers need to prepare valuation reports, and tax professionals need to review the plan for tax reporting and often for cash-flow purposes. If you are thinking of transferring a business interest for estate planning purposes, start these discussions as soon as possible.

**LEARN MORE**

Estate planning after the sale of a business interest



+1 800 274 3978
rsmus.com

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute assurance, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed.

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent assurance, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

RSM, the RSM logo and *the power of being understood* are registered trademarks of RSM International Association.

© 2025 RSM US LLP. All Rights Reserved.

3834559