

Big, Bold & Billable: What the One Big Beautiful Bill Means for Elder Law Attorneys

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From Confusion to Clarity: Making Sense of the “One Big Beautiful Bill”



1. Individuals
2. Trusts and Estates
3. Businesses


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Quick Background



- **Tax:** The One Big Beautiful Bill Act (OBBBA), signed July 4, 2025, makes key Tax Cuts and Jobs Act (TCJA) provisions permanent and introduces new high net worth, middle class, and business-friendly reforms.
- **Medicaid:** OBBBA significantly alters Medicaid eligibility and administrative requirements, imposing new work requirements, more frequent redeterminations, and restrictions on state financing—creating both planning challenges and opportunities for elder law practitioners.
- **Seniors:** While OBBBA provides enhanced tax benefits for seniors (including the \$6,000 senior deduction), it simultaneously reduces retroactive Medicaid coverage from 90 to 60 days and implements stricter eligibility verification processes starting in 2026-2027.

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High (Low) Lights 

Positive:





- **Estate Tax "Permanent":** Federal estate and gift tax exemption permanently increased to **\$15 million per individual (\$30 million per married couple)** starting in 2026, up from \$13.99 million in 2025—providing critical planning flexibility for high net worth clients while eliminating time pressure on wealth transfer strategies.
- **SALT Deduction Expansion:** State and local tax (SALT) deduction cap **increased from \$10,000 to \$40,000** starting in 2025 (with 1% annual increases through 2029)—providing substantial relief for middle-class homeowners in high-tax states.
- **Businesses:** Average effective corporate tax rates for small/midsize businesses drop by 3.4% under OB8BA, freeing an estimated \$180B in reinvestable capital over the next decade.

Caution: CBO forecasts a \$1.2T to \$3.4T federal deficit increase over 10 years, emphasizing the importance of proactive planning.


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Pause – A Trillion in Dollar Bills... 

What Does a "Trillion" Mean?

Amount	Stack Height	Real-World Comparison
\$10,000 	4.3 inches	About the height of a smartphone
\$100,000 	3.6 feet	Waist-high, like a typical office desk
\$1 million 	358 feet	As tall as a 35-story skyscraper
\$1 trillion 	67,866 miles	2.7 times the circumference of Earth—well into outer space!

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Individual Income Tax Issues

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Non-Itemizers



- Standard deduction is \$15,750 / \$31,500.
- Adjusted for Inflation.
- Consider “Bunching” every other year.

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Charitable Deduction



- “Above the line” charitable deduction is \$1,000 / \$2,000 – qualified charities.
- Does not include Donor Advised Funds or Private Foundation.

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Qualified Charitable Distribution (QCD)



- 70 ½ Taxpayers.
- 73 and older qualify for RMD.
- QCD – 2025 limit of \$4,000 for Charitable Gift Annuity or Charitable Remainder Trusts.

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Tax Rates and Brackets



- Lowered Rates.
- Permanent Rate 10%, 37%,
- 10%, 12% and 22% receive additional year of indexing.

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Senior Deduction



- Over 65 gets an extra \$6,000 deduction from 2025 through 2028.
- Phases out with income of \$75,000 / \$150,000.
- Fully phases out - \$175,000 / \$250,000.
- Helps reduce the tax on SSA income.
- Higher income still pay on 85% of SSA.

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Child Care Credit



- Rises to \$2,200 from \$2,000 in 2026.
- Adjusted for Inflation.

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Alternative Minimum Tax (AMT)



- \$137,500 for single taxpayers.
- Phases out at \$1,252,700.

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Qualified Residence Interest Deduction



- \$750,000 Interest limit.
- First home or second home.
- Home Equity Loan Interest may qualify.

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Wagering Losses



- Losses reduced from 100% to 90% of losses.

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SALT (State and Local Tax)



- Increased to \$40,000 in 2025 from \$10,000.
- Increases 1% until 2030.
- Reduction of 30% of the excess over the threshold amount.
- 2025 amount is \$1,500,000.

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Tips



- Limited exclusion of \$25,000 if Modified Adjusted Gross Income is under \$150,000 / \$300,000.
- Phases out at 10% if over thresholds.
- Includes Barbering, hair care, nails, entities, body and spa (not legal services).

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Overtime



- Exclusion of \$12,500 / \$25,000 for overtime.
- Limit of \$150,000 / \$300,000 then 10% phase out.

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Car Loan Interest



- \$10,000 on personal vehicle.
- 20% phase out at \$100,000 / \$200,000.
- Vehicle must be less than 14,000 pounds.
- Qualify under Clean Air Act and Assembled (final) in USA.

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Trump Accounts



- Non-Roth IRA
- Under 18
- 2025-2028 births get \$1,000 contribution.
- Parents and others can add \$5,000 a year.
- Must be invested in index fund with stock in the U.S. and maximum fee of 10 basis points.
- Employee can add \$2,500 for employee's dependent.

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Adoption Credit




- Increased to Refundable credit of \$5,000.

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Section 529 Benefit



- Expanded to post secondary expenses.

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OBBBA for Trusts and Estates

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OBBBA 2025's Impact on Estates, Gifts, & Trusts

One Big Beautiful Bill Act (OBBBA) 2025

- Signed into law on July 4, 2025
- Most sweeping tax code overhaul since the Tax Cuts and Jobs Act
- Significant implications for estate, gift, and capital gains tax planning
- Creates new opportunities for trust planning and wealth transfer strategies



Today's Focus

- Key provisions affecting a variety of clients
- Strategic planning considerations for attorneys

OBBBA 2025: Comprehensive Tax Planning for NAELA Attorneys

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Estate Tax Planning Under OBBA 2025

Increased Federal Estate Tax Exemption

- New exemption amount: \$15 million per individual
- \$30 million for married couples
- Indexed for inflation annually

Strategic Estate Planning Considerations

- Review existing estate plans for optimization
- Dynasty Trusts for multi-generational wealth transfer
- Spousal Lifetime Access Trusts (SLATs)
- Charitable planning strategies

Year	Exemption Amount (per individual)
PWS 2018/19	\$10,000,000
OBBA 2025	\$15,000,000

OBBA 2025: Comprehensive Tax Planning for NAELA Attorneys

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Gift Tax Planning Under OBBA 2025

Unified Gift Tax Exemption

- \$15 million per individual (indexed for inflation)
- \$30 million for married couples with gift-splitting
- Annual gift exclusion: \$19,000 per recipient (2025)

Strategic Gift Planning Considerations

- Grantor Retained Annuity Trusts (GRATs)
- Intentionally Defective Grantor Trusts (IDGTs)
- Spousal Lifetime Access Trusts (SLATs)
- Generation-Skipping Transfer (GST) planning

Year	Exemption Amount
PWS 2018/19	\$10,000,000
OBBA 2025	\$15,000,000

OBBA 2025: Comprehensive Tax Planning for NAELA Attorneys

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Capital Gains Tax Planning Under OBBA 2025

Qualified Small Business Stock (QSBS) Exclusion

- Increased exclusion from \$10 million to \$15 million
- 5-year holding period requirement remains unchanged

Year	Exclusion Limit
PWS 2018/19	\$10,000,000
OBBA 2025	\$15,000,000

Capital Gains Tax
(2025) (per year)

A tax paid by an investor upon selling their asset, based on the amount by which the asset appreciated during the time it was held.

Strategic Capital Gains Planning

- Trust strategies for capital gains (CRTs, DSTs, INGs)
- Tax-loss harvesting and Opportunity Zone investments

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Grantor Trust Rules Under OBBBA 2025 (1/2)

Core Rules Largely Intact

- No direct amendments to IRC Sections 671-679 (grantor trust income tax rules)
- No direct amendments to IRC Sections 2036 (Transfers with Retained Life Estate)
- No direct amendments to IRC Section 2038 (Revocable Transfers)

Key Point for Attorneys:
 The fundamental structure of grantor trust rules remains intact, but the implications and planning considerations have shifted due to indirect effects of OBBBA 2025.

Indirect Impacts

- \$15 million exemption changes planning landscape
- Analysis for wealthy clients will be to weigh Grantor vs Non-Grantor Trust desirability

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Grantor Trust Rules Under OBBBA 2025 (2/2)

Property Acquisition

OBBBA 2025 did NOT introduce any new rules for gain/loss recognition on transfers to or from grantor trusts.

- It's still a disregarded tax-free property acquisition between grantor and trust
- But the various real property deductions expanded under the Act impact estate composition and planning strategies

Planning Considerations

- Review existing grantor trust structures for potential estate inclusion risks
- Consider trust modifications to address new property acquisition rules
- Evaluate whether higher exemptions justify simplified planning approaches
- Document intent and purpose of trust provisions to strengthen against IRS challenges

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Non-Grantor Trusts & SALT Deduction (1/2)

OBBBA 2025 SALT Deduction Changes

- Increased SALT deduction cap from \$10,000 to \$40,000
- Applies for tax years 2025 through 2029
- Indexed for inflation annually

Income Phase-Out Rules

- Full \$40,000 deduction for MAGI below \$500,000 (2025)
- Phase-out between \$500,000-\$600,000 MAGI

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Non-Grantor Trusts & SALT Deduction (2/2)

Non-Grantor Trust Advantage

- Each non-grantor trust receives its own \$40,000 SALT deduction limit
- Trust "stacking" strategy becomes viable

Key Requirements for Non-Grantor Status

- No grantor-triggering powers (IRC 671-679)
- Independent trustee with discretionary distribution authority

Comparison: Grantor vs. Non-Grantor Trust

Feature	Grantor Trust	Non-Grantor Trust
SALT Deduction	Flows to grantor (limited to \$40K)	Separate \$40K limit per trust
Income Taxation	Taxed to grantor	Taxed to trust or beneficiaries

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Dynasty Trusts & Duration Limits

Federal Law: No Direct Changes to Duration Limits

- OBDDA 2025 does NOT alter or impose new federal duration limits on dynasty trusts

Key Takeaway:

Dynasty trust duration remains governed by state law, not federal law under OBDDA 2025.

Indirect Impact & Planning Implications

- Increased GST tax exemption (\$15M per individual) enhances utility
- More wealth can be transferred into GST-exempt dynasty trusts
- Continue to rely on state perpetuities laws when establishing dynasty trusts
- Leverage increased exemptions to maximize assets within long-duration trusts

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Planning Considerations When Trusts Hold Real Property

The **One Big Beautiful Bill Act (OBDDA) of 2025** addresses real property in several ways which can impact the taxation of Trusts

- Introduces significant changes affecting real estate transactions
- Modifies depreciation rules, business income deductions, and other tax provisions
- Impacts how gain or loss is recognized for real property transactions
- Creates new considerations for property held in trust structures



Key OBDDA Provisions:

- Permanent 100% bonus depreciation
- Enhanced depreciation for production property
- Permanent 20% QBI deduction
- Increased SALT deduction cap (\$40,000)
- Special treatment for qualified farmland sales

Trust Structures & Real Property Gain/Loss Recognition Under OBDDA 2025

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Basic Gain/Loss Recognition Rules

Under general tax principles, gain or loss must be recognized when you **sell** or **exchange** a real property asset.

Basic Formula:
 $Gain/Loss = Sale Price - Adjusted Basis$
 Where **Adjusted Basis** = Original Cost + Improvements - Depreciation

OBBA 2025 impacts this calculation through:

- 100% bonus depreciation (lowers adjusted basis)
- Enhanced depreciation for production property
- 20% QBI deduction (affects overall tax on gain)
- Increased SALT deduction cap (\$40,000)

Note: The fundamental recognition rules remain unchanged, but OBBA affects the calculation components and resulting tax liability.

Tax Benefits of Investing in Real Estate

Example Impact:
 A property with enhanced depreciation under OBBA will have a lower adjusted basis, potentially resulting in a larger taxable gain upon sale.

Trust Structures & Real Property Gain/Loss Recognition Under OBBA 2025

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Revocable (Grantor) Trusts

A revocable trust is considered a **"grantor trust"** for tax purposes - a disregarded entity with the grantor treated as the direct owner.

Key Point: Tax Transparency
 For property held in a revocable trust, gain or loss recognition rules apply as if the grantor owned the property directly.

OBBA 2025 Impact on Revocable Trusts:

- 100% bonus depreciation claimed on grantor's personal return
- 20% QBI deduction available to grantor directly
- Grantor benefits from increased \$40,000 SALT deduction cap
- Gain/loss reported on grantor's Form 1040

Tax Filing: All income, deductions, gains, and losses flow through to the grantor's personal tax return (Form 1040).

Types of Grantor Trusts

Example:
 When a property held in a revocable trust is sold, the gain or loss calculation follows the same formula as if owned directly.
 $Gain/Loss = Sale Price - Adjusted Basis$
 The resulting gain or loss is reported on the grantor's personal tax return.

Trust Structures & Real Property Gain/Loss Recognition Under OBBA 2025

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Irrevocable (Non-Grantor) Trusts

An irrevocable trust is a **separate legal and tax-paying entity**, distinct from the grantor and beneficiaries.

Key Point: Separate Taxpayer
 For property held in an irrevocable trust, the trust itself (not the grantor) recognizes gain or loss upon sale.

OBBA 2025 Impact on Irrevocable Trusts:

- 100% bonus depreciation claimed on trust's return (Form 1041)
- 20% QBI deduction available at trust level or passed to beneficiaries
- Limited to \$10,000 SALT deduction cap (not eligible for \$40,000 individual cap)
- Compressed tax brackets reach top rate at just over \$15,000 of income

Tax Planning Alert: Large capital gains retained by the trust may be taxed at the highest marginal rate much sooner than if recognized by an individual.

Non-Grantor Trust Structure

Distribution Strategy:
 When a property held in an irrevocable trust is sold, the trustee must decide whether to:
 - Retain the gain (taxed at trust rates)
 - Distribute the gain to beneficiaries (taxed at their individual rates)
 This decision significantly impacts the overall tax burden.

Trust Structures & Real Property Gain/Loss Recognition Under OBBA 2025

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Key Clarification: OBCCA's Impact on Trust Property

Important Distinction:
OBCCA 2025 does **NOT** change **when** gain or loss is recognized for trust property transactions, but rather affects the **amount** of gain or loss through its depreciation provisions.

Unchanged Recognition Rules	OBCCA's Actual Impact
<ul style="list-style-type: none"> Grantor Trusts Remain disregarded entities for tax purposes No gain/loss on transfers to the trust Recognition only when sold to third parties Non-Grantor Trusts Still separate tax entities Gain/loss recognized on transfers to the trust Also recognized when trust sells to third parties 	<ul style="list-style-type: none"> Accelerated Depreciation 100% bonus depreciation Enhanced depreciation for production property Results in lower adjusted basis Increased Gain on Sale Lower basis = Higher taxable gain Gain = Sale Price - Adjusted Basis Applies to both grantor and non-grantor trusts

Example:
Property purchased for \$1,000,000 with \$400,000 allocated to building
Under OBCCA: 100% bonus depreciation reduces building basis to \$0
When sold for \$1,200,000: Gain = \$1,200,000 - \$600,000 (land) = \$600,000
Without OBCCA: Slower depreciation might leave \$300,000 building basis
Resulting in gain of only \$300,000 (\$1,200,000 - \$900,000 total basis)

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Trust Type Comparison

How different trust structures impact taxation under OBCCA 2025:

Feature	Revocable (Grantor) Trust	Irrevocable (Non-Grantor) Trust
Taxpayer	Grantor (Individual)	The Trust (or Beneficiaries)
Tax Form	Form 1040 (Personal)	Form 1041 (Trust)
Gain/Loss Recognition	On Grantor's return	On Trust's return
OBCCA Bonus Depreciation	Claimed by Grantor ✓	Claimed by Trust ✓
SALT Deduction Cap	\$40,000 Under OBCCA ✓	Limited to \$10,000 ⚠
Tax Brackets	Individual brackets	Compressed brackets ⚠

Tax Implications of Having or Not Having a Trust

Taxpayer	Individual	Trust	Beneficiary
Income Tax	100% Bonus Depreciation	100% Bonus Depreciation	100% Bonus Depreciation
Capital Gains Tax	20% (if trust is grantor)	20% (if trust is beneficiary)	20% (if trust is beneficiary)
Gift Tax	None	None	None
Estate Tax	None	None	None

Key Takeaway:
Revocable trusts maintain individual tax benefits under OBCCA, while irrevocable trusts face more restrictive tax treatment.

Trust Structures & Real Property Gain/Loss Recognition Under OBCCA 2025

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Practical Considerations

Trust Selection

- For maximum tax flexibility under OBCCA 2025, revocable trusts offer the most favorable treatment

Irrevocable trusts remain valuable for asset protection and estate planning despite tax limitations, keeping in mind with the correct provisions they may also be grantor trusts.

Timing Considerations

Consider property sales timing to maximize OBCCA benefits

For irrevocable trusts, align distributions with beneficiary tax situations

Basis Planning

Leverage 100% bonus depreciation to strategically adjust basis

Consider step-up in basis opportunities for inherited property

Key Recommendation:
Evaluate your client's specific situation under OBCCA 2025, as the optimal trust structure depends on their unique circumstances and objectives. Consider co-counseling or referring them to a tax practitioner, if you're not comfortable with all the issues raised by their asset amounts or types.

TAX IMPLICATIONS

- Capital Gains Tax:** The tax implications of selling a building to a trust depends on the trust structure. Revocable trusts are grantor trusts and trigger ordinary capital gains tax, while irrevocable trusts are separate tax entities, resulting in capital gains tax treatment.
- Bonus Depreciation:** 100% bonus depreciation is available for both grantor trusts and irrevocable trusts, resulting in a lower adjusted basis and higher gain on sale.
- Gift Tax:** Gifts to a trust are not taxable if the trust is a grantor trust. Gifts to an irrevocable trust are taxable if the trust is a separate tax entity.

Action Steps:

- Review existing trust structures in light of OBCCA 2025
- Evaluate potential gain/loss on property held in trust
- Consider distribution strategies for irrevocable trusts
- Document tax planning decisions for future reference

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Conclusion of OBBBA 2025's Impact on Estates, Gifts, & Trusts



Key Impacts of OBBBA 2025

- Increased exemptions create significant planning opportunities
- Trust planning remains essential but with new considerations
- SALT deduction changes benefit non-grantor trust strategies

Actionable Advice for Attorneys

- Review all existing estate plans in light of new exemption amounts
- Consider trust "stacking" strategies for SALT deduction multiplication
- Evaluate grantor trust structures for potential modification needs
- Leverage increased QSBS exclusion for business owner clients & for yourself if you own your practice.


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OBBBA for Businesses

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Corporate Tax Rate Permanency



What Changed:

- The 21% corporate tax rate is now permanent—no more sunset risks.
- Effective for **taxable years beginning after December 31, 2025** (begins 2026).

How It Works:

- All C-corporations taxed at 21% indefinitely; pass-throughs and individuals remain on their own brackets.

Example:

- C-corp with \$500,000 taxable income pays \$105,000 in tax (21%).
- If structured as a pass-through (top bracket), tax could be \$185,000.
- Dividends impose further tax, so choosing C-corp is best for reinvesting profit.

Planning Tip:

- Clients:** Revisit C-corp status for reinvest-heavy clients.
- Firms:** Run entity structure analysis for tax minimization.

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Immediate Expensing for R&D and Capital Investments (Bonus Depreciation)



What Changed:

- OBDDA restores and makes permanent full and immediate expensing ("bonus depreciation") for:
 - Domestic research and experimental (R&D) expenditures (IRC §174)
 - Qualified capital equipment, technology, and software (IRC §168(k) bonus depreciation)

How It Works:

- **R&D Expensing:**
 - Businesses may fully deduct 100% of domestic R&D costs in the year incurred (no more 5-year amortization).
 - Covers wages, supplies, contract research, cloud/software development, and similar innovation costs.
 - Effective for tax years beginning after December 31, 2024 (begins 2025).
- **Bonus Depreciation (for capital/property):**
 - Allows 100% deduction of qualified property placed in service after January 19, 2025 (including machinery, computers, furniture, most improvements, etc.).
 - "Qualified property" includes new and used capital assets with recovery period <70 years

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Immediate Expensing for R&D and Capital Investments (Bonus Depreciation)



Example:

- **Law Firm R&D:** Develops \$150,000 AI-powered legal research tool internally (developer wages + vendor contracts):
 - Old Rule (pre-OBDDA): Expense amortized over 5 years = \$30,000/year; tax savings per year: ~\$11,100 (@37%).
 - OBDDA: Entire \$150,000 in year incurred; immediate tax savings: \$55,500 (@37% rate).
- **Equipment Purchase:** Law firm or business buys \$100,000 in tech or equipment:
 - Full \$100,000 deduction in placement year (2025 or later); immediate cash benefit.

Planning Tip:

- **R&D-focused clients:** Encourage accelerated investment in innovation, software, and process improvements within the United States to maximize deductibility.
- **Capital-intensive businesses:** Advise front-loading equipment and technology investments to take full advantage of bonus depreciation.
- **Firms:** Consider spending on qualifying R&D (custom workflow automation, legal technology) and eligible office upgrades to maximize current year deduction.

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Expanded Business Interest Deductions (IRC §163(j))



What Changed:

- Increases the deductible limit on business interest expense from 30% to 50% of Adjusted Taxable Income (ATI).
- Effective tax years after December 31, 2024 (begins 2025).

How It Works:

- All business types—including C corporations, S corporations, partnerships, and LLCs taxed as partnerships or S corps—are subject to the §163(j) limitation.
- Each entity calculates its deductible business interest on up to 50% of ATI for the year.
- Real estate and capital-intensive businesses tend to benefit most from this increased limit.

What is ATI (Adjusted Taxable Income)?

- **Adjusted Taxable Income (ATI)** is a measure used to determine the ceiling for deductible business interest expense under IRC §163(j).


ATI is generally calculated as:

- Taxable income
- Plus: Business interest expense, depreciation, amortization, and depletion (for certain years)
- Minus: Business interest income and certain other items

For many taxpayers, it closely resembles EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization).

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Expanded Business Interest Deductions (IRC §163(j))



Example:


- Company with \$1M ATI and \$400,000 interest:
 - Old limit: \$300,000 deduction.
 - New rule: \$400,000 full deduction.
 - Tax savings: \$37,000 at top bracket.

Planning Tip:

- Clients:** Review client debt strategy as it is more favorable under OBDDA.
- Firms:** Consider using credit for growth.

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QSBS Optimization Opportunities (IRC §1202)



What Changed:


- Maximum QSBS exclusion up to greater or (i) \$15M/issuer (inflation-adjusted), or (ii) 10x basis; prior was \$10M.
- Staged exclusions:
 - 3 years: 50% gain excluded, 28% tax on overage
 - 4 years: 75%, 28% tax on overage
 - 5+ years: 100%, 28% tax on overage
- Higher eligibility cap: \$75M gross assets (inflation indexed).
- Applied to stock issued after July 4, 2025.

How it Works:

- Must be **new capital invested**, not just conversion or reorg.
- Certain industries are still **excluded**: law, health, consulting, financial/brokerage, engineering, accounting, banking, hotels, restaurants, etc.
- Only for eligible (not excluded) businesses with ≤\$75M assets at issuance.

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QSBS Optimization Opportunities (IRC §1202)



Example:

- Tech C-corp formed, \$1M invested (new cash) in July 2025.
 - Sells in 2028 (3 years): \$10M gain → \$5M (50%) excluded; \$1.4M tax owed on remainder.
 - In 2029 (4 years): 75% excluded (\$7.5M); tax on \$2.5M (\$700k owed).
 - 2030 (5 years): Full \$10M gain excluded (if under \$15M cap), \$0 federal tax.

Planning Tip:

- Clients:** Urge qualifying clients to invest new funds into C-corps now to start the clock.
- Clients:** Review business type eligibility. For clients currently operating as LLCs or partnerships, consider dissolving the existing entity and forming a new C-corp, or merging assets/business into a newly created C-corp—with new capital contribution—to enable future QSBS treatment.
- Firms:** QSBS does not apply to law practice. May apply to ancillary businesses (e.g. software development)

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QBI Deduction (IRC §199A)



What Changed:

- QBI (Qualified Business Income) 20% deduction is permanent, with indexed minimum deduction.
- Effective for tax years **after December 31, 2025** (begins 2026).
- Staged exclusions:
 - 3 years: 50% gain excluded, 28% tax on overage
 - 4 years: 75%, 28% tax on overage
 - 5+ years: 100%, 28% tax on overage
- Higher eligibility cap: \$75M gross assets (inflation indexed).

How It Works:

- Applies to pass-through entities: sole proprietors, partnerships, S corps, LLCs taxed as partnerships/S corps.
- Not available for C corps or W-2 wage income.
- SSTBs (Specified Service Trades/Businesses) include professions like law, health, accounting, consulting, finance, etc. SSTBs have stricter phase-out rules.
- Deduction = 20% of qualified income, subject to wage/property and income limits.

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QSBS Optimization Opportunities (IRC §1202)



Example:

- **Law firm** (S corp, SSTB), QBI: \$300,000, W-2 salary expense: \$120,000, Owner's taxable income: \$230,000 (single, inside phase-out band)
 - Deduction: 20% * QBI = \$60,000
 - Wage limitation: 50% * \$120,000 = \$60,000 (matches deduction)
 - Actual deduction: \$60,000 (but would phase out as income rises)
 - If taxable income exceeds \$247,300 (single): Deduction phases out to \$0 (for SSTB).

- **Non-SSTB:** Real estate LLC, QBI: \$300,000, W-2: \$40,000, property basis \$800,000:
 - 50% * \$40,000 = \$20,000; 25% * \$40,000 + 2.5% * \$800,000 = \$10,000 + \$20,000 = \$30,000.
 - Deduction capped at \$30,000.

Planning Tip:

- **Clients:** Plan W-2 wages/property to maximize deduction, especially for S corps and LLCs.
- **Firms:** Owners of SSTBs (law, accounting, consulting, etc.): Watch phaseout ranges closely!
- **Clients and Firms:** For high-earners near phase-out: Consider retirement plan contributions or income-shifting strategies.

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