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Four Pre-Liquidity Considerations From the One Big Beautiful Bill Act

This summer's passage of the One Big Beautiful Bill Act (OBBBA) has major implications for business owners and pre-liquidity planning. While the new permanence of gift and estate tax exemptions has drawn more headlines, changes to qualified small business stock (QSBS) rules might be more consequential, especially for founder-owners.

The following publication examines aspects of the budget bill that should factor into pre-liquidity planning in the months and years ahead, including:

- The Extension and Enhancements to QSBS (Section 1202)
- Certainty Around Gift and Estate Taxes
- New Wrinkles in Charitable Donations
- Changes to Bonus Depreciation and Section 179

Four Pre-Liquidity Considerations From the OBBBA

1. The Extension and Enhancements to QSBS (Section 1202)

Selling QSBS has long been a way for company shareholders to avoid as much as 100% on up to $10 million in taxable gains from a liquidity event (or 10x the taxpayer's basis in stock). With the passage of the OBBBA, the exclusion increased to $15 million (with annual indexing for inflation) and the gross asset threshold to qualify as a small business rose from $50 million to $75 million. In addition, the required holding period for exclusions fell from five to three years, which could encourage some owners to sell faster. There is a 50% exclusion benefit after three years, 75% after four years, and 100% after five years.

Other parts of the OBBBA received more attention, but there's reason to think the QSBS changes are most consequential for founder-owners. Indeed, increasing the taxable gain threshold to $15 million makes the practice of "stacking"—wherein business owners gift QSBS to family members or irrevocable non-grantor trusts that are eligible for their own exclusions—even more appealing. In fact, some business owners have started planning to make sure their next businesses are C Corporations and thus eligible under QSBS.

Yet the new rules, effective for QSBS issued or acquired after July 4, 2025, bring several layers of complexity; not all states conform to the QSBS exclusion under IRC Section 1202, and even if they do, the rules are quite complicated, including industry requirements, and when QSBS stock would have had to be issued or acquired to qualify. So, while the QSBS changes are likely good news for business owners, effective planning for them is important.

2. Certainty Around Gift and Estate Taxes

Before the budget bill passed, business owners were unsure what would happen to the federal lifetime estate and gift tax exemption. Pushed upward by 2017's Tax Cuts and Jobs Act (TCJA), the exemption was set to fall from $13.99 million this year to $5 million in 2026, but the OBBBA permanently increased the exemption to $15 million per taxpayer in 2026, indexed annually for inflation.

Making the exemption permanent had been a priority for President Trump, so that it was part of the bill in some form was not surprising. But the new long-term certainty means business owners have something to plan around and no longer must rush to avoid an end-of-2025 deadline. While GRATs (grantor retained annuity trusts) and SLATs (spousal lifetime access trusts) remain effective estate-planning vehicles for founder-owners, now might be a good time to revisit plans involving trusts or gifting to future generations given the newfound certainty.

3. New Wrinkles in Charitable Donations

Before the OBBBA's passage, taxpayers faced no limits on charitable itemizations, and taking the standard deduction meant ineligibility for the charitable deduction. Now, taxpayers who itemize are subject to a 0.5% floor on itemized deductions for charitable contributions. In other words, a taxpayer with $1 million of income cannot deduct the first $5,000 of contributions.

In addition, individuals in the top tax bracket will have their charitable deductions capped at 35%—down from 37% starting in 2026. These changes underscore the importance of philanthropy as a piece of estate planning when it comes to liquidity events, specifically synchronizing the establishment of a vehicle with the year of a transaction.

4. Changes to Bonus Depreciation and Section 179

A significant tax benefit for business owners from the TCJA began phasing out in 2022. But the OBBBA restored 100% bonus depreciation of the cost of qualifying assets in the year they are placed into service—as opposed to spreading the depreciation over the life of the asset. The benefit amount also increased, and it was extended to include new and used assets, among other changes.

Certainty around bonus depreciation is a win for business owners, but some property types and projects are ineligible (e.g., improvements to commercial property). For those, the OBBBA increases the Section 179 deduction cap from $1 million to $2.5 million. The bill also includes a Section 179 phaseout threshold starting at $4 million with a full phaseout at $6.5 million for properties put into service in 2025. The Section 179 limitations will be indexed for inflation annually.

While bonus depreciation can be a significant tax incentive for placing assets into service, careful planning is needed when selling that property to account for recapture.

Conclusion

Many business owners considering a liquidity event reacted with a sense of relief and happiness to the passage of the OBBBA, for no other reason than it provided certainty after years of questions about the possible sunset of the TCJA provisions. The certainty is codified in a 1,000-page bill, but it is replete with complexities in a variety of areas, including pre-liquidity planning.

If you would like to discuss the benefits and considerations surrounding the OBBBA, please don't hesitate to contact your William Blair Wealth Advisor.