

Money Talks
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The recent tax legislation, signed into law on July 4, 2025, is called a variety of names. Some refer to it as the One Big Beautiful Bill, or 3B, although semanticists would argue it is no longer a bill but an Act as the bill was passed by both houses of Congress and signed into law by the President, hence One Big Beautiful Act. Others settled for a compromise of OBBBA. Regardless, the 2025 tax legislation provides some opportunities for estate and income tax planning.

One major piece of the law is to permanently increase the estate tax exemption to \$15 million per person or \$30 million for a married couple. Generally, if a person passes away and the value of their estate is less than \$15 million, no federal estate tax is due. This applies to every person. If one spouse passes away and does not use the full amount of the exemption, the surviving spouse can elect to use that unused portion toward the exemption already provided for their estate. This is called the portability election. Without this change, the prior law was due to sunset at year end 2025 and the exemption would have reverted to \$7 million. Iowa has repealed its inheritance tax so no state inheritance tax would be due. Other states, such as Illinois, still maintain a state estate tax.

Another change can benefit landowners. This lies in the four-year installment of capital gains on the sale of farmland. If the seller owned the land for 10 years or more and sells the land to a “qualified farmer” who will use the land for farming for the next 10 years, the seller may recognize the capital gain in equal installments over the next four years. The alternative is recognizing the entire amount of the capital gain in a single year. This may reduce the burden of paying all the tax in the year of sale and defer the payment over four years.

Another benefit for landowners and farmers is the increase in what is called the Section 179 allowance. This has doubled to \$2.5 million and the phase out threshold has also increased. This will permit the immediate expensing of assets on the taxpayer’s tax return for large investment items such as equipment and single purpose buildings instead of depreciating the asset over time. The higher limits could apply to equipment such as tractors or combines and structures like hog buildings and grain bins. The new law also reinstates 100% bonus depreciation for excess assets not utilized or eligible for Section 179.

Another change will increase the annual amount of the value of gifts that does not require the filing of gift tax returns. This amount is increased to \$19,000. You can make a gift of that amount to any number of recipients without being required to file a gift tax return. A married couple could make gifts of \$38,000 ($\$19,000 \times 2$) to any number of recipients without triggering the requirement of filing a gift tax return.

OBBBA makes broad and sweeping changes in tax legislation. The above are just some of the changes made affecting individuals and estates. The legislation also makes significant changes in other areas. You should consult with your tax professional on how these and other changes may affect your individual and business tax situation.