

2025 One Big Beautiful Bill (OBBBA): Key Highlights for Physicians and High-Net-Worth Individuals

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Executive Summary

The One Big Beautiful Bill Act (OBBBA), signed into law in 2025, represents one of the most sweeping tax reforms since the Tax Cuts and Jobs Act. While positioned as a middle-class tax relief bill, many of its provisions directly impact physicians, medical specialists, and high-net-worth taxpayers. This white paper provides a focused analysis of the most relevant provisions, strategic planning opportunities, and potential pitfalls for these individuals.

Introduction

Physicians and affluent taxpayers face a complex and often contradictory set of tax changes under OBBBA. This guide outlines how to navigate the updated tax brackets, SALT deduction increases, pass-through entity strategies, and changes to estate planning limits. Whether you are a W-2 physician, private practice owner, or investor with multi-state income, strategic planning is essential under the new law.

1. Income Tax Brackets and Rates

OBBBA restructures the federal tax brackets and introduces a new marginal rate structure through 2030:

- Reduction in middle brackets for income under \$400,000
- Top marginal rate of 39.6% reinstated for income above \$500,000 (single) / \$1,000,000 (MFJ)
- Increased standard deduction and limited itemized deduction phase-outs above \$400,000

2. SALT Deduction Limit Increased

One of the most headline-grabbing changes: the state and local tax (SALT) deduction cap is raised from \$10,000 to:

- \$40,000 MFJ

- \$20,000 Single

Phaseout begins for modified AGI above \$500,000 (MFJ) or \$310,000 (MFS), with the deduction gradually reduced until eliminated.

3. QBI Deduction and Pass-Through Strategies

While OBBBA retains the Qualified Business Income (QBI) deduction through 2030, phaseouts for Specified Service Trades or Businesses continue. Physicians in private practice must monitor income thresholds carefully:

- Full QBI deduction available under \$400,000 MFJ (\$200,000 Single)
- Deduction phases out completely by \$500,000 MFJ (\$250,000 Single)

4. Estate Planning Updates

While the estate tax exemption was not repealed, OBBBA reduces the exemption amount by half starting in 2026:

- Current exemption (2025): \$13.61M per person
- Future exemption (2026 onward): approx. \$7M per person (adjusted for inflation)

High-net-worth families should consider spousal lifetime access trusts (SLATs), grantor retained annuity trusts (GRATs), and dynasty trusts before the sunset.

5. Planning for Physicians with 1099 Income or Private Practice

Physicians with side consulting, locum tenens, or private practice income should consider forming an S Corporation to:

- Reduce self-employment tax
- Maximize QBI deductions
- Implement retirement planning via defined benefit or 401(k) plans

6. Strategic Planning Opportunities

Opportunities under OBBBA include:

- SALT deduction timing (prepay vs. defer based on phaseout brackets)
- Entity restructuring for income segmentation

- Accelerated gifting and trust funding before 2026 exemption drop
- Roth conversions in lower-rate years (2025 window)

Conclusion

The One Big Beautiful Bill presents a mix of tax relief and increased complexity. Physicians and high-net-worth taxpayers who proactively evaluate their structures, income streams, and estate plans to identify the best path forward will secure the most optimal tax outcomes.

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