

## Business Owner Newsletter

# A BIG BEAUTIFUL BILL

*10 Opportunities (and 2 Challenges)  
Business Owners Should Know*

The recently passed “One Big Beautiful Bill” spans nearly 1,000 pages and fundamentally reshapes taxes, retirement planning, and compliance. Hidden within its fine print are *game-changing opportunities for business owners and high earners* — and a few costly traps.

Members of WestPac’s Business Resource Team unpacked the bill in detail during recent webinars. Below are a few of the highlights to turn this legislation into leverage.

### Top 10 Benefits Explained

#### 10. Historically Low Tax Rates Maintained

One of the biggest wins? Tax brackets remain at historically low levels. The top federal rate remains at 37% and applies only when taxable income reaches \$752,000 for a married couple filing jointly. Taxable income below this threshold is taxed at marginal rates ranging from 10 - 35%.

#### Action Items:

- Review your current marginal tax rate by planning on your overall taxable income level BEFORE year-end. In some cases, it may be beneficial to raise, not lower, your income.
- Increase income by managing cash collections, Roth IRA conversions, the sale of appreciated stock, or deferring deductions.
- Increase expenses by managing payment of expenses, considering cost segregation studies, and accelerating depreciation deductions.

#### 9. Increased Standard Deduction Opportunities

The standard deduction is now at its highest level in history and is available to every individual who files a tax return and is not claimed as a dependent on someone else’s return. Most business owners experience very little benefit in claiming children as dependents on their tax returns. The planning opportunity comes about when eligible children are not claimed

as dependents and instead file a separate return to claim the standard deduction. There are specific criteria in determining when a child is not a dependent for tax purposes.

#### Action Items:

- Review your current tax filing and dependents claimed on your return and determine how they be independent for tax filing purposes.
- Find ways to make these children financially independent through employment in the company, providing ownership in the company and other income shifting strategies.

#### 8. Income Shifting Strategies

This is one of the most powerful provisions for business owners. By employing children in the business or transferring partial ownership stakes, you can shift income to family members in lower brackets. Example: Paying your child a reasonable wage for work performed could move income from your 37% marginal bracket into their much lower bracket — reducing overall household tax liability.

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### Action Items:

- Put family members (parents, children) on payroll for legitimate work.
- Consider transferring minority ownership to individuals, or in some cases trusts, to harvest tax savings.

### 7. Accelerated Depreciation

The bill reinstated the 100% bonus depreciation for assets placed in service on January 20, 2025, or later. In addition, IRC Section 179 expense limits moved up to \$2.5 million from \$1.0 million and changed the phase-out limitation from \$2.5M to \$4.0M. Both changes in the law offer significant tax-saving opportunities for companies making large capital improvements this year.

### Action Items:

- Review current purchases to determine if bonus depreciation or IRC Section 179 is more efficient.
- Consider cost segregation studies for capital improvements

with useful lives longer than 20 years.

- Pay attention to potential federal/state tax differences.

### 6. Research and Development (R&D) Expenditures

In a dramatic shift in reporting, business owners may once again enjoy a double benefit for costs incurred for research and development expenses. The bill reinstated that eligible costs may be deducted for income tax purposes and generate a credit ranging from 7 – 12% for federal tax purposes. The bill also provides that businesses may apply the new rules BACK to calendar years 2022 – 2024. This provides a significant opportunity to claim federal tax refunds for earlier years and increase the tax efficiency for 2025.

### Action Items:

- Review your current operations and see if the law change warrants a REDUCTION in estimated tax payments.
- Determine if amending returns and applying the new

rules would generate TAX REFUNDS given the new law.

- We find that more businesses qualify for the R&D Credit than originally thought. Work with your CPA to take another look or seek the advice of an expert to determine your eligibility.

### 5. Retirement Plan / Employee Benefit Enhancements

The bill encourages greater retirement contributions through provisions that increase limits and create credits for small businesses starting plans. It also enhanced and made permanent certain credits related to employer-provided benefits. If you own a business, this is a chance to improve benefits, retain employees, and reduce taxes simultaneously.

### Action Items:

- Consider the expanded 529 eligible expense expansion and the use of TRUMP Accounts.
- Consider implementing 401(k) with profit sharing, defined benefit, or cash balance plans for higher deductions.
- Take advantage of start-up plan tax credits for small businesses.

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### 4. Qualified Business Income Deduction

The bill made IRC Section 199A permanent, which ensures that business owners operating a qualified business as a pass-through entity (partnership or S corporation) may continue to exclude up to twenty percent of that income from federal tax. Phaseout rules for “specified service trades/businesses” may also qualify for this deduction but require additional attention.

#### Action Items:

- Review your current business setup and operations to determine if your business meets the “qualified business” or “specified service trade/business”. Classify expenses such as investment management and tax prep costs to the business entity level.
- Make appropriate adjustments in structure, compensation and income levels to maximize the overall deduction.

### 3. Incentives for Family-Owned Businesses

Take advantage of historically high estate tax exclusion levels made permanent under the new law. Ownership transfers to family members can now be structured to minimize estate and gift taxes while aligning with succession planning goals. This allows multi-generational businesses to lock in favorable tax treatment and exclude future appreciation of gifted assets.

#### Action Items:

- Begin succession planning conversations with your family, CPA, trust/estate attorney, and financial advisor.
- Consider using valuation discounts as it relates to marketability and control issues.
- Act urgently to redirect future appreciation in value and potential capital gains tax relating to a sale.

### 2. Qualified Small Business Stock (“QSBS”)

IRC Section 1202 took effect in 1993 and allows the business owner to exclude from tax capital gain

on the sale of company stock. The One Big Beautiful Bill enhanced this tax provision in several impactful ways, including: 1) raising the amount that may be excluded from \$10 million to \$15 million and 2) providing a partial gain exclusion ranging from 50 – 75% for holding periods less than five years.

#### Action Items:

- Review your current entity structure to determine if your ownership interest may qualify for QSBS status.
- For business owners considering a sale within the next five years, consider restructuring your existing business to qualify for exclusion under IRC Section 1202.

### 1. Complimentary Reviews Reveal Hidden Savings

Many business owners feel they pay a lot in taxes. The amount isn’t as important as the percentage. If your effective federal tax rate is above 20%, you’re likely leaving money on the table. The provisions in this bill are complex, but they open the door to significant tax savings with the right planning.

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### Action Items:

- If your effective tax rate > 20%, request a comprehensive tax review immediately.
- Identify gaps where credits, deductions, or income shifting could apply.

### Top 2 Challenges You Need to Watch For

#### 2. Loss of Personal Exemptions & Miscellaneous Deductions

As mentioned, personal exemptions are permanently gone, and popular deductions like investment advisory fees, tax prep costs, and unreimbursed employee expenses are no longer available at the personal level. You could lose thousands in deductions without shifting these expenses to the business.

### Action Items:

- As business owners, meet with your professional advisory team to find ways to redirect costs to more tax efficient structures.

- As employees, reach out to your employer to identify changes to your compensation structure to minimize the tax effects of the new rules.

#### 1. Compliance Complexity

The new opportunities come with intricate rules and requirements. For example, improperly structured income-shifting strategies can raise IRS red flags. Similarly, failing to adopt compliant retirement plans can result in penalties. DIY approaches could backfire without expert guidance.

### Action Items:

- Schedule a compliance review with your advisor before implementing any new strategy.
- Document income-shifting arrangements (especially family payroll) and maintain reasonable compensation standards.
- Use specialists for trust setups, entity structuring, and retirement plan compliance.

### What This Means for You

The “One Big Beautiful Bill” offers incredible planning opportunities—but only for those who act. Businesses that review entity structures, upgrade retirement plans, and adopt income-shifting strategies now can enjoy years of compounding tax savings.

### Action Checklist

Review your effective tax rate

- Explore family payroll and trust strategies
- Upgrade your retirement plan offerings
- Reclassify expenses to maximize deductions

Your financial strategy deserves more than guesswork. The One Big Beautiful Bill opens doors — but only if you know where to look. Reach out to your WestPac advisor today to begin the conversation and identify strategies tailored to your goals as you make this legislation work for you.