🕵The Big Bill and Estate Planning Impact

How H.R. 1 (119th Congress, 2025) affects estate planning—covering changes to estate and gift tax law, who will be impacted, and how to adapt strategically.

Strategic Adaptations for Estate Planning

Here's how different parties can respond proactively to these changes:

For High-Net-Worth Families

- Use the full $15M exemption before any future legislation reduces it (e.g., a change in administration).
- **Consider:**
- SLATs (Spousal Lifetime Access Trusts)
- IDGTs (Intentionally Defective Grantor Trusts)
- Dynasty Trusts (especially in states with no rule against perpetuities)
- GRATs (Grantor Retained Annuity Trusts) to shift appreciation tax-free

For Married Couples

- Utilize "portability" to preserve unused exemption from the first spouse to die.
- Execute a bypass trust for added creditor protection and generational transfer flexibility.

For Those with Closely Held Businesses or Real Estate

- Transfer minority interests using valuation discounts (which may not be available under future law).
- Use installment sales to grantor trusts (IGTs) to move appreciation out of the taxable estate.
- The Tokenization of Real Estate
- Mastering Like Kind Exchanges

For Estates Near the Exemption Threshold

- **Consider life insurance inside an ILIT (Irrevocable Life Insurance Trust) to pay estate taxes without increasing estate size.**
- **Document gifts carefully post-2025 to maximize exemption usage.**

Policy and Long-Term Considerations

- This large exemption increase may not be permanent, depending on political control post-2026.
- Future clawback risk: The IRS has stated (2019 Final Regs) that it won't claw back gifts made using higher exemptions, but clarity on new regulations will be needed.
- Expect potential regulatory tightening if courts or future Congress challenge ultra-high exemptions and complex trust planning.

Summary Table

Topic	Before H.R. 1	After H.R. 1	Action
Lifetime estate/gift exemption	~$13.61M in 2024 (indexed)	$15M fixed per person (from 2026)	**Use full exemption before future changes**
AMT exemption	Phasing out at higher incomes	Phaseout threshold improved	**Check AMT liability before gifting**
Charitable deduction floors	None or low	0.5% individuals, 1% corporations	**Adjust charitable strategies** Charity and the Tax Code Charitable Giving 101
Portability of unused exemption	Available	Unchanged	**File Form 706 at first spouse's death** Basics of Portability Curative Corrections Preparing the Form Understanding the Form
Trust-based planning	Optional	Highly advantageous	**Review all trust structures** Complete Trust Course How To Draft Efficacy and Application

Key Estate Planning Provision

Section 70106: Extension and Enhancement of Increased Estate and Gift Tax Exemption Amounts

What it does:

- Increases the estate and gift tax exemption from $5 million to $15 million per individual (not indexed for inflation).
- Effective for:
- Estates of decedents dying after December 31, 2025
- Gifts made after that date

Technical Amendment:

- Modifies Section 2010(c)(3) of the Internal Revenue Code.
- Removes sunset provisions from previous legislation (e.g., TCJA of 2017) and resets the base year for inflation adjustments to 2025, not 2010.

Who Is Affected

Group	Impact
High-net-worth individuals (HNWIs)	**Huge benefit—can pass up to $15M per person (or $30M per couple) tax-free through estate/gift transfers.**
Middle-class families	**Unlikely to be directly impacted by estate tax changes, as most estates fall below prior thresholds.**
Trusts and estate attorneys	**Increased planning opportunities, particularly for GRATs, SLATs, and Dynasty Trusts.** The Portability, Dynasty Trusts and GRATs - A Four Part Super Series The IDGT Four Part Super Series The SLAT Five Part Super Series The ILIT Three Part Super Series
States with their own estate/inheritance taxes	**Planning still needed to manage exposure to state-level taxes (e.g., NY, MA, NJ).**

Summary of Other Related Provisions

1. Alternative Minimum Tax (AMT) Relief

- Increases the AMT exemption thresholds and lowers phase-out rates.
- Helps high-income filers (including estates and trusts) reduce unexpected AMT liabilities on large gains or gifts.

2. Charitable Contribution Deductions

- Tightens itemized deductions, imposing a 1% floor for corporations and 0.5% for

individuals.
- This indirectly affects charitable trusts and planned giving strategies.

3. SALT Deduction Limitations

- Retains or modifies state and local tax deduction limits, which may still influence decisions about domicile changes, particularly for HNWIs relocating to no-tax states.

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