

JULY 2025 NEWSLETTER

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FEDERAL ESTATE TAX EXEMPTION

ESTATE PLANNING UNDER OBBBA

THE NEW TAX ACT

WHAT YOU NEED TO KNOW TODAY!

On July 3, 2025, the One Big Beautiful Bill Act (OBBBA) was signed into law, bringing significant changes to the federal estate, gift, and generation-skipping transfer (GST) tax system. While the Act covers a broad range of tax and policy areas, this summary focuses on the key estate-related provisions and how they may affect your estate planning.

A. Higher Estate and Gift Tax Exemptions:

The Act permanently increases the federal estate and gift tax exemption to **\$15 million per individual, (\$30 million for married couples)**, indexed for inflation. This represents a significant increase over the prior law and eliminates the uncertainty associated with the

previously scheduled reduction in 2026.

Planning Tip: With fewer estates now subject to tax, many individuals should reevaluate their existing wills, trusts, and gifting strategies to align with the higher exemption amount.

B. Generation-Skipping Transfer (GST) Exemption:

The GST exemption has also been increased to **\$15 million per person**, matching the estate and gift tax exemption. The rules around GST tax rates and portability remain unchanged.

Planning Tip: Clients making gifts to grandchildren or skip-person trusts may now do so with far greater tax efficiency.

C. Basis Rules Remain the Same:

The step-up in basis at death remains intact. This means heirs will continue to receive assets with a basis equal to their fair market value on the decedent's date of death. Gifts during life continue to carry over the donor's basis.

Planning Tip: Holding highly appreciated assets until death remains a viable tax-minimization strategy.

D. No New Taxes or Restrictions on Trusts:

The Act does not impose any new taxes on trusts or alter their tax treatment. Income tax brackets for trusts remain unchanged and common estate planning structures, such as grantor trusts, SLATs, and GRATs, remain unaffected.

Planning Tip: While no structural changes are required, clients should consult with legal counsel to consider whether simpler strategies may now be sufficient if they no longer face estate tax exposure.

E. Gift Tax and Annual Exclusion:

The lifetime gift tax exemption rises with the estate tax exemption, allowing individuals to gift up to **\$15 million** tax-free over their lifetime. The annual gift tax exclusion remains unchanged and continues to be indexed for inflation.

Planning Tip: Many taxpayers will no longer need to file gift tax returns unless they exceed the \$15 million limit.

F. No New Reporting Requirements:

The Act does not create any new filing or disclosure obligations related to estate or gift taxes. Existing forms and procedures—such as IRS Forms 709 and 706—remain in place.

Planning Tip: While compliance remains straightforward, large estates should still coordinate with professionals to ensure proper use of the increased exemptions.

G. Final Thoughts:

The One Big Beautiful Bill Act offers increased flexibility and certainty for individuals and families engaged in estate planning. With the higher exemption amounts now locked in, many taxpayers may find themselves outside the scope of the federal estate tax entirely. However, those with significant wealth still need to plan carefully to preserve and protect their legacies. Now is an ideal time to review your estate plan with a qualified, experienced trust & estate attorney to ensure it aligns with the new law.

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