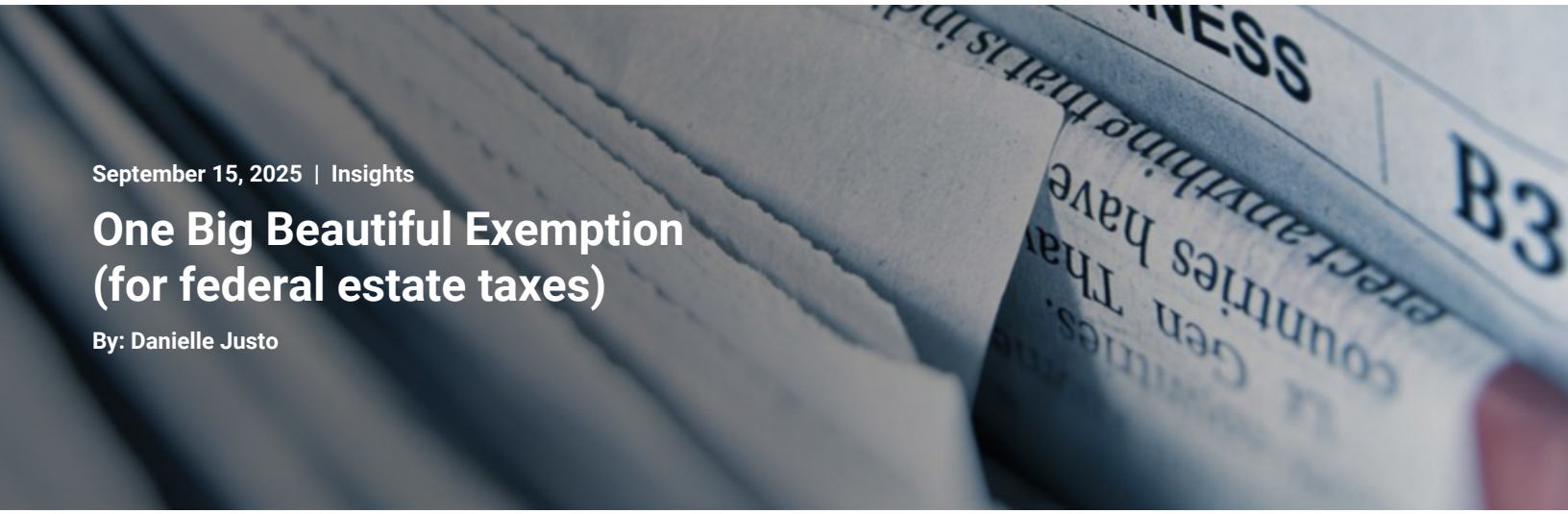

September 15, 2025 | Insights

One Big Beautiful Exemption (for federal estate taxes)

By: Danielle Justo

Federal law provides an exemption allowing taxpayers to transfer up to a certain amount of property during life and/or upon death before triggering federal gift or estate tax. As a result of the 2017 Tax Cuts and Jobs Act (TCJA), this exemption amount was set at $10mm per person, indexed for inflation ($20mm for a married couple). For 2025, the exemption amount is $13.99mm ($27.98mm per married couple).

The TCJA included a "sunset" provision, which prescribed that the historically high exemption amount was to revert to its pre-TJCA level of $5mm, indexed for inflation, at the end of 2025, causing much uncertainty for wealthy individuals whose estates may have been exposed to gift and estate taxes if the sunset occurred.

However, on July 4, 2025, President Trump signed H.R. 1, a budget reconciliation bill referred to as the "One Big Beautiful Bill Act." The Big Beautiful Bill permanently increases the lifetime gift and estate tax exemption amount to $15mm per person ($30mm per married couple) starting January 1, 2026. That amount will continue to be annually adjusted for inflation. A parallel increase was made for the generation-skipping transfer tax.

In the context of the Big Beautiful Bill, "permanent" means it includes no sunset provision. Nevertheless, any provision of the Big Beautiful Bill could be amended or repealed at any time by Congress. Those who may be above the exemption level should it revert to pre-TCJA levels might wish to consider making significant lifetime gifts to take advantage of the current high exemption level, as well as to remove income and future appreciation from their taxable estate. Any such gifts would not be clawed back into one's estate if a reversion to the pre-TCJA levels were to occur. Such gifts would also not be taxed in Massachusetts, as the state imposes no gift tax.

For those interested in utilizing the current high exemption level, attention must be given to balance the benefits of doing so with the loss of a step-up in basis of the assets gifted. A step-up in basis refers to the adjustment of an asset's cost basis to its fair market value on the date of the original owner's death. This recalibration can significantly reduce or even

Related Services

Estate Planning, Tax & Probate

Related Attorneys

Danielle Justo

©2026 Rich May, P.C. All Rights Reserved

eliminate capital gains taxes when the asset is sold by heirs. In contrast, if assets are gifted during life, they will not receive a similar basis adjustment and may incur significant capital gains tax when sold.

Weighing the benefits of the basis adjustment against estate tax exposure involves a tailored approach considering one's financial goals, the nature of one's assets, and one's long-term priorities. If you wish to explore whether and how taking advantage of the increased exemption level would benefit you, please contact us.

Disclaimer: This summary is provided for educational and informational purposes only and is not legal advice. Any specific questions about these topics should be directed to attorneys Megan Dean and Danielle Justo.

© 2025 by Rich May, P.C. and attorneys Megan Dean and Danielle Justo. All rights reserved.