

Sunset or Sunrise:

Update on Federal Estate and Gift Tax Exemptions

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Better as One with Hopkins Carley



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Current Law with Sunset



1. 2017 TCJA

- a. Doubled the estate and GST exemptions as of 1/1/2018.
- b. Current law ends as of 12/31/2025
- c. As of 1/1/2026, the exemptions will revert back to amounts as of 2017.

2. Use it or lose it

- a. Use the estate and GST exemption before it reduces by 50%
- b. IRS has indicated no claw back will happen. In addition, for those who do not use it, you cannot preserve it.
- c. Use of the exemption is from the bottom up, not the top down. If single client uses \$7M of exemption now, no exemption would remain after sunset. In other words, the first \$1 gifted is the first \$1 of exemption.

3. Considerations:

- a. If client would be using \$7M or less of exemption, sunset will not impact the planning.
- b. If married couple would be using \$13.99M or less, consider having only 1 spouse make the entire gift. That way 1 will use full exemption, while other spouse will still have exemption available post-sunset.
- c. If gifting above \$7M per person is prudent, do it prior to end of 2025.

Potential New Federal Law

1. One Big Beautiful Bill Act or OBBBA or BBB
2. Extends the 2017 TCJA cuts.
3. Increase the federal Estate, Gift and GST exemption to \$15M per person.
4. Permanent or new sunset not yet determined.
5. “TRUMP Accounts”
6. Considerations:
 - Clients who previously used full exemption, would have an addition \$1M available for new gifts.
 - Use the new \$1M as seed money for a sale to an IDGT, to create new trusts, or to forgive intrafamily loans.
 - UHNW individuals who are advised to use the exemption benefit by moving the assets out of the taxable estate as well as future growth and income.
 - For states with state estate tax, gifting assets also saves state level transfer taxes.

Planning Strategies in High-Exemption Environment

Goal-Based Gifting Strategies

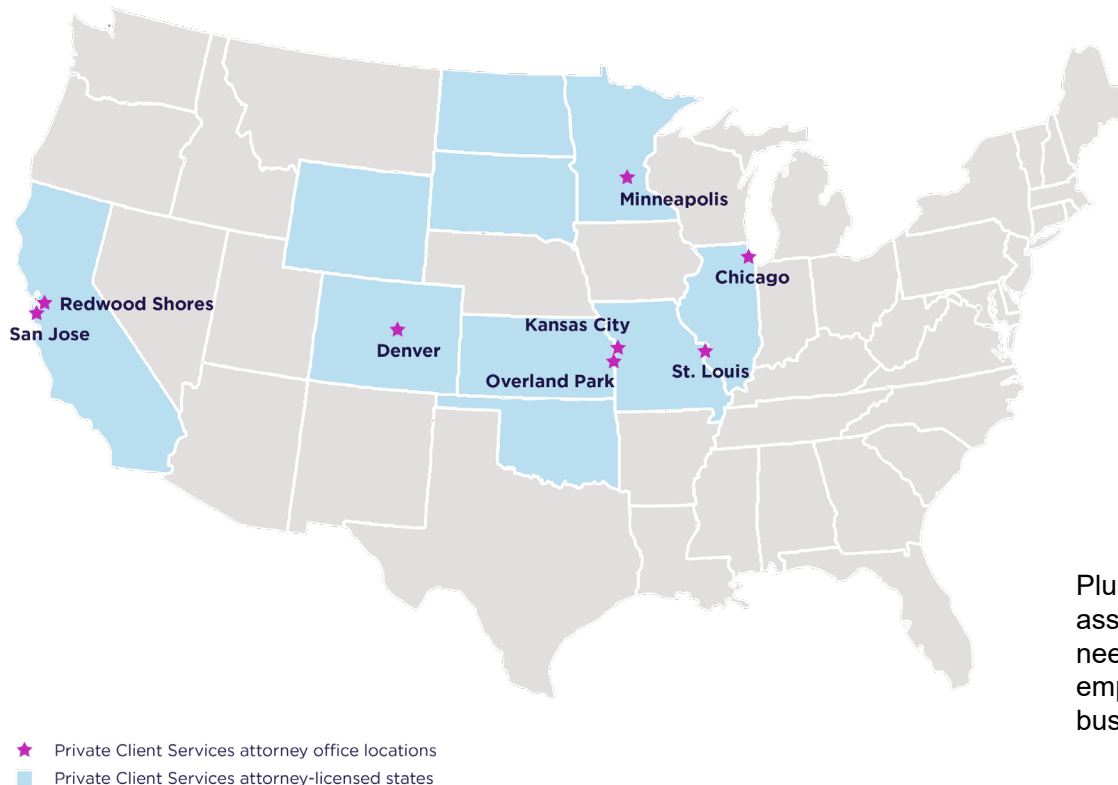
1. Clean up gifts: Forgive notes, remove parent from title on homes, college funding
2. Equalizing: Trust for newly born grandchildren, other equalization items
3. Cautious use of exemption: SLATs in separate property states
4. Leveraging: Gift real estate or business interests, taking valuation discounts. Part gift, part sale strategies.
5. Long-term planning: Dynasty/multigenerational trusts
6. Other options
 - a. Charitable Remainder Trusts or QPRTs in high(er) interest rate environments
 - b. GRATs in depressed markets

Gifting Caveats

1. Gifting remorse:
 - a) Don't give more than you can afford.
 - b) Don't give more than you want others to have.
 - c) Consider a reserve for gifts to future family members.
2. Consider income tax issues prior to gifting, especially tax basis.
3. Consider cash-flow planning prior to gifting.

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