OBBBA Delivers Significant Benefits to High-Net-Worth Individuals

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Categories:

One Big Beautiful Bill Act
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Authors:

Michael J. Stegman

In my practice as part of our firm's Wealth Planning and Family Office group, I work with many high-net-worth families. The recently enacted One Big Beautiful Bill Act (OBBBA) provides significant tax benefits to these families beginning January 1, 2026. This article focuses on two of them, wealth transfer tax exemptions and individual income tax rates.

Wealth Transfer Tax Exemptions

The U.S. imposes a 40% tax on the transfer of wealth through its combination of the gift, estate, and generation-skipping transfer (GST) taxes. Historically large exemptions have been available under the 2017 Tax Cuts and Jobs Act (TCJA), but such exemptions were scheduled to sunset to pre-2018 levels at the end of 2025. Under the TCJA, individuals currently have a $13,990,000 exemption amount (or $27,980,000 for married couples), but the law would have reduced this number to about half beginning in 2026. OBBBA, however, resets the exemption at $15,000,000 per individual beginning in January 2026 and indexes it for inflation thereafter. Moreover, the enhanced exemption does not expire; instead, it continues indefinitely until a future Act of Congress modifies it.

The enhancement and permanence of the exemption amounts afford high-net-worth clients with the continuing opportunity to place significant wealth into irrevocable long-term trusts for the benefit of current and future generations, without the imposition of any wealth transfer taxes on the trust over time. Thus, multigenerational wealth is preserved as a sort of nest egg for generations to come, with attendant asset protection features if the trust is properly drafted and implemented.

Maximum Individual Income Tax Rate

Under the TCJA, the maximum individual income tax rate was set to revert from 37.0% to 39.6% on January 1, 2026. OBBBA maintains

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the 37.0% maximum rate and makes it permanent. In 2025, the top bracket for jointly filing married couples begins at about $750,000 of taxable income. The top 2026 bracket will be further adjusted for inflation. Although the top bracket relief is significant, the new law did not change the additional 3.8% net investment income tax (NIIT). Further, capital gains and qualified dividend rates remain favorable at a maximum of 23.8%, including the NIIT.

By avoiding the scheduled increase in the top rate, families will have more income available for savings, investment, and lifetime gifting. If you are interested in learning more about tax benefits, please contact the author or any attorney in Frost Brown Todd's Wealth Planning and Family Office group.

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