

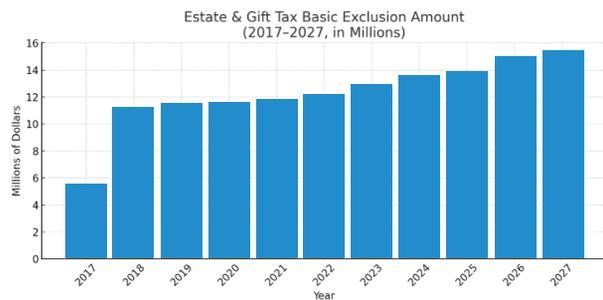


\$15 Million Estate-Tax Shield Arrives in 2026—OC Millionaires Have 12 Months to Act

By Daniel Garrett, CPA, MST and Manuel J. Ramirez, CPA, MST, FABFA

When a Newport Beach or Laguna residence can jump \$5M in one listing cycle, estate planning is no longer optional: it's smart portfolio management. And now, Congress has raised the stakes. The 2025 Tax Act (H.R. 1, P.L. 119-21) delivers powerful planning opportunities for high-net-worth individuals and business owners, including:

- A permanent \$15M federal estate-, gift-, and GST-tax exemption per person—\$30M for married couples—effective **January 1, 2026**.
- A forever 20% § 199A Qualified Business Income deduction, with expanded income thresholds of \$75k (single) / \$150k (joint), and a new \$400 minimum deduction for active owners.
- A five-year \$40,000 SALT deduction cap (2025-2029) indexed 1% annually and phased down 30% once modified AGI exceeds \$500,000, before it reverts to \$10,000 in 2030.



Core Levers for 2025-26

Lever	Why It Works Under the New Law	Orange County Angle
Dynasty GST Trusts / SLATs	Move post-2025 growth outside both estate and GST tax while preserving spousal access.	Site trusts in Nevada or South Dakota; diversify from coastal real estate into private credit.
Rolling 2-year GRATs & Preferred-Partnership Freezes	“Freeze” today’s value using 7520 rates near 5%.	Perfect for Irvine med-tech founders or Newport multi-family GP units.
QPRTs for Coastal Residences	Discounted gift values + the new \$15M shield shift \$20-40M beach homes early.	Use shorter retained terms (10-12 yrs) for owners aged 65-75.
Intrafamily Loans & Installment Sales	AFRs under 4% let dynasty trusts arbitrage double-digit private-company growth.	Seed Series-B tech or fast-scaling lifestyle brands.
CLATs / DAF Front-Loading	Pair the \$40k SALT window with charitable lead annuities to “lend” low-cost capital to charity and pass the remainder GST-free.	Lock naming rights at UCI, Chapman, or Segerstrom while trimming 2025-2029 AGI.

Four Plus-Plays for the Ultra-Affluent

1. **Private Placement Life Insurance (PPLI):** Wrap hedge-fund or PE-style returns inside an income- and estate-tax-free insurance chassis. Minimum ~\$3M premium, but compounds gains free of California tax drag.
2. **§ 1202 QSBS “Stacking”:** H.R. 1 left the 100% gain-exclusion untouched. Gifting pre-exit shares to multiple dynasty trusts can multiply \$10M exclusions across family members. (California does not conform—site trusts elsewhere).
3. **Up-Stream Basis Planning:** Gift low-basis assets to a healthy parent’s estate, harvest a step-up at death, and use the senior generation’s unused \$15M exemption. Hedge mortality risk with term insurance.
4. **Completed-Gift Non-Grantor Dynasty Trusts:** California’s SB 131 now treats incomplete-gift non-grantor (ING) trusts as grantor trusts. A completed-gift structure in Nevada or South Dakota restores state-tax relief and asset protection at the cost of using exemption.

Do’s and Don’ts Before December 31, 2025

Do’s	Don’ts
<ul style="list-style-type: none"> • Draft SLATs/QPRTs now, fund 1-2-2026 • Vary trustees & terms on spousal trusts • Run basis vs. exemption models • House dynasty trusts in Nevada/South Dakota 	<ul style="list-style-type: none"> • Gift on 12-31-2025 • Create mirror-image SLATs • Over-gift low-basis real estate • Ignore future state estate tax

2025 Countdown Timeline

Timing	Action Items	Lead Professional
Q3 2025	<ul style="list-style-type: none"> • Rewrite formula clauses • Run “freeze vs. basis” models 	Estate attorney & CPA
Q4 2025	<ul style="list-style-type: none"> • Draft SLATs, dynasty trusts, GRATs, CLATs • Order appraisals/409A studies 	Valuation firm
1-2-2026	<ul style="list-style-type: none"> • Fund trusts, execute loan notes, pay PPLI premiums • File gift returns early 	CPA & trustee

Pitfalls That Still Sink Plans

As families begin planning under the new rules, we’re already seeing some avoidable missteps:

- **Bad Timing on Gifts:** Gifting on December 31, 2025 locks in today’s \$13.9M exemption. Wait until January 1, 2026 to fully leverage the new \$15M limit.
- **Mirror-Trust Risk:** SLATs funded by each spouse must differ in trustees, terms, or timing to avoid IRS scrutiny and unintended inclusion.
- **State Tax Exposure:** If heirs live in WA, OR, or MN, house dynasty trusts in these zero-tax jurisdictions.
- **Administrative Drift:** Miss one GRAT annuity stub and the IRS collapses the freeze. Use a compliance calendar to stay on track.

Why the Rush?

Interest rates and valuation discounts remain attractive. A \$50M estate that delays gifting until February could absorb 10% appreciation, or roughly \$4M in extra estate tax. And SB 131’s new ING rules mean California residents lose income-tax relief unless they shift to completed-gift structures now.

Three-Step Action Plan:

1. Book a 90-minute family-office summit with your attorney, CPA, valuation expert, insurance designer before Labor Day.
2. Finalize a ready-to-sign trust & insurance package by Thanksgiving.
3. Transfer assets and wire loans the first business day of 2026.

Secure Your Legacy with Confidence

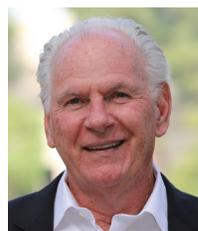
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