PacificCPE

High Net Worth Individuals: Part 1

Course #32551B

Taxes

2 Credit Hours

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HIGH NET WORTH INDIVIDUALS: PART 1

This course examines key tax law changes from the Tax Cuts and Jobs Act (TCJA) and the One Big Beautiful Bill Act (OBBBA) impacting high-net-worth individuals. Readers will learn how OBBBA extended or made permanent many TCJA provisions and explore advanced estate planning strategies tailored to affluent married couples. Special focus is placed on updated thresholds, deduction planning, and wealth transfer considerations to help advisors navigate complex tax landscapes and preserve client wealth effectively.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

" Key Provisions of the Tax Cuts and Jobs Act of 2017 ("TCJA") Applicable to Asset Protection Planners"

Asset Protection/Estate Planning for Married Couples

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Recognize changes made by the TCJA and the OBBBA that affect high net worth taxpayers.
- Recognize that most of the TCJA changes were extended or made permanent by the passage of the OBBBA.
- Recall estate planning considerations that are specific to high net worth married couples.

NOTICE

Program publication date **8/25/25**

EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.

- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.

- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.

- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.

- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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CHAPTER 1: KEY PROVISIONS OF THE TAX CUTS AND JOBS ACT OF 2017 (TCJA) AND THE ONE BIG BEAUTIFUL BILL ACT (OBBBA) APPLICABLE TO ASSET PROTECTION PLANNERS

Chapter Objective

After completing this chapter, you should be able to:

- Recognize changes made by the TCJA and the OBBBA that affect high net worth taxpayers.
- Recognize that most of the TCJA changes were extended or made permanent by the passage of the OBBBA.

¶1.01 INTRODUCTION

The President signed Public Law No. 115-97, generally known as the Tax Cuts and Jobs Act (TCJA), on December 22, 2017. The One Big Beautiful Bill Act (OBBBA) was signed into law by the President on July 4, 2025.

Most of the TCJA's provisions were effective for tax years beginning after 2017, and most of the individual income and transfer tax provisions were temporary and scheduled to sunset at the end of 2025, after eight years. However, the OBBBA extended or made permanent most of the TCJA provisions. This chapter summarizes the TCJA's and the OBBBA's key provisions affecting individuals, small businesses, estates and trusts.

Observation

All tax legislation is inherently temporary in the sense that future administrations often modify tax law. A prime example is the Tax Reform Act of 1986 treatment of capital gains rates where capital gains rates were made equal to the maximum ordinary income tax rates. That change, which was a key part of the 1986 Act and intended to be permanent, only remained in place from 1988 until 1990 or roughly three years. Also, it's important to remember that control of government shifts, much like a pendulum, so that what is popular today may be out of favor tomorrow. The importance of this observation is that there are certain taxpayer-friendly provisions, which may change, possibly even before the sunset dates (*e.g.*, the increased estate, gift and generation-skipping transfer ("GST") tax exemption amounts), and therefore it is incumbent on planners to advise their clients to move expeditiously if they desire to take advantage of these provisions.

The remainder of this chapter is broken into the following three parts:

1. Individual income tax provisions;
2. Business tax provisions; and
3. Estate, gift and GST tax provisions.

¶1.02 INDIVIDUAL TAX PROVISIONS

General Background of Individual Provisions

Most of the individual tax provisions in the TCJA are temporary. These individual provisions generally phase out or sunset. The OBBBA made most of them permanent.

One of the only substantive permanent changes concerns “Obamacare.” The TCJA permanently repeals the individual mandate in the Patient Protection and Affordable Care Act. Previously, individuals without sufficient health insurance coverage (such as government-sponsored plans, employer-sponsored plans, individual market plans, etc.) were required to pay a fee/penalty, but this provision has been effectively permanently repealed by lowering the penalty to $0.

Another major permanent change, is the new measure of inflation that will be used for adjusting various tax provisions (*e.g.*, gift tax annual exclusions, income tax rates, estate tax exemptions, etc.). The inflation indexing for most individual tax provisions was previously based on the consumer price index (“CPI”). The TCJA changes the index to the “chained CPI,” which accounts for consumer preferences for less expensive substitute goods during periods of inflation. As a general matter, the chained CPI results in smaller increases to indexed amounts. To illustrate, this change will result in a slower increase to the estate tax exemption than would be the case under a CPI method of indexing and is likely to cause changes that will later be seen in the long-term, such as placing more taxpayers in higher tax brackets than the previous indexing method.

Note

Although the change in inflation adjustments is likely to be less noticeable to taxpayers because of its technical and mostly hidden nature, over time this will have a significant adverse impact on taxpayers.

The TCJA makes several changes to individual income tax provisions, with which asset protection planners should be familiar. This section discusses these provisions.

Income Tax Rates

The TCJA temporarily changes individual tax rates through 2025. The OBBBA made them permanent, although the seven-rate structure remains the same. The current pre-TCJA rate structure for individuals has seven rates: 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. The new tax structure under the TCJA changes those rates to 10%, 12%, 22%, 24%, 32%, 35%, and 37%. These measures are effective for tax years starting in 2018. The Tax Policy Center published a comparison chart that shows the changes in the law with regard to individual tax rates, shown here in Figure 1-1.

FIGURE 1-1.

	Current Law					Tax Cuts and Jobs Act (Conference Committee)				
	Taxable Income ($)					Taxable Income ($)				
	Single Filers		Married Couples		Tax rate (%)	Single Filers		Married Couples		Tax rate (%)
	Over	But not over	Over	But not over		Over	But not over	Over	But not over	
Individual tax rates	0	9,252	0	19,050	10	0	9,525	0	19,050	10
	9,252	38,700	19,050	77,400	15	9,525	38,700	19,050	77,400	12
	38,700	93,700	77,400	156,150	25	38,700	82,500	77,400	165,000	22
	93,700	195,450	156,150	237,950	28	82,500	157,500	165,000	315,000	24
	195,450	424,950	237,950	242,950	33	157,500	200,000	315,000	400,000	32
	424,950	426,700	242,950	480,050	35	200,000	500,000	400,000	600,000	35
	426,700	and over	480,050	and over	39.6	500,000	and over	600,000	and over	37

Deduction of Qualified Business Income of Passthrough Entities and Sole Proprietorships

Another temporary change is a new deduction for certain individuals (as well as trusts and estates) with "domestic qualified business income of pass-through entities and sole proprietorships," which phases out in 2025. The OBBBA made this provision permanent. Essentially, this provision allows individual taxpayers to deduct 20% of domestic qualified business income from certain qualified partnerships such as S corporations. This provision is discussed in more detail below.

Tax Rates for Capital Gains, Dividends, and Net Investment Income Tax

Tax rates for capital gains, dividends, and net investment income tax remain unchanged by the TCJA. However, the structure does change slightly. The TCJA retains the same "breakpoints" for application of these rates as under current law, except the breakpoints will be adjusted for inflation after 2018.

Standard Deduction and Personal Exemption

The standard deduction is $15,750/$23,625/$31,500 for 2025 and indexed for inflation thereafter. Furthermore, the personal exemption is eliminated entirely. What this means is that these two changes will likely result in some tax savings for many (not necessarily all) taxpayers. Since the standard deduction has increased while many itemized deductions for individuals are quickly becoming more limited, it's likely that many more taxpayers will use the standard deduction. As a result, many won't claim income tax benefits from some itemized deductions such as charitable contributions, state and local tax ("SALT") payments, and other payments that are still considered deductions.

In addition, the TCJA and the OBBBA place limits on certain deductions, most notably the deduction for SALT payments. These are now limited to $40,000 for 2025. This increases one percent per year through 2029, and reverts back to $10,000 in 2030.