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Estate And Gift Tax Impact Of The "One Big Beautiful Bill"

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United States Family and Matrimonial

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What Changed? For deaths occurring, or gifts made, on or after January 1, 2026, the single estate tax, gift tax and GST tax exemption is set at $15,000,000. Starting in 2027, the exemption will be indexed for inflation measured from 2025.

What Stayed the Same? Everything Else! The exemption for deaths/gifts in 2025 remains $13,990,000. The rate on gifts or estates in excess of the exemption amount stays a flat 40% of such excess.

And it is "Permanent". Almost the entire time since the tax cuts implemented by President George W. Bush took effect in 2001, the increasing estate tax exemption has been "temporary". In some instances (such as in 2010, and again for a day in 2013 before Congress retroactively disallowed it), the estate tax was repealed when the law "sunsetted". Since the 2017 Tax Cuts and Jobs Act, the opposite was true. Client and planners were worried that when the TCJA was to "sunset" on January 1, 2026, the exemption was to be cut in half.

Now that sunset worry is gone, as the new $15,000,000-plus-inflation exemption amount is "permanent". In Congress, permanent means "until another Congress/administration comes along". While there is always the chance that occurs, for virtually the first time in a quarter-century, inaction means that the exemption won't change, other than inflation adjustments.

What to Do? Unmarried clients with a net worth well above $15,000,000 or married couples with a net worth well above $30,000,000 still need to contemplate and implement advanced planning to reduce estate taxes and to use these exemptions to their fullest, particularly if they are concerned about the law being changed in a few years.

Clients with a net worth well below those figures still need well-thought-out living trusts and related estate planning documents.

Clients whose net worth is near those thresholds or who expect to exceed them also should consider further estate planning to get ahead of the curve.

In all cases, all of the existing estate planning techniques, the viability of many of which were threatened under prior administrations, remain fully viable now, in some cases enhanced by the income tax provisions of the bill.

Authors

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