Tax Attorney David Potts for The Journal Record, Estate & Gift Tax Laws Sunset in 2026 - Be Prepared

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A key federal estate, gift and generation-skipping transfer tax exemption included in the Tax Cuts and Jobs Act ("TCJA") is scheduled to expire on December 31, 2025. As a result, now is the time to review your gift and estate plan and ensure you consider your options based on your current net worth and future financial plans.

The current TCJA gift and estate tax exemption in 2025 is $13.99 million per person and $26.98 million per married couple. If the TCJA gift and estate tax exemption expires on December 31, 2025, the exemption will be decreased to approximately $7 million per person and $14 million per married couple. This decrease could lead to estates being subject to a 40% estate tax on assets above the allowed exemption amount.

There are numerous estate planning strategies that can be implemented now that include trust structures, multi-generational planning, charitable planning, maximizing tax advantage accounts, and lifetime gifting. Implementing your estate planning strategies before December 31, 2025, may be more effective in reducing your taxable estate than waiting until it is too late. Using your estate tax exemption should be part of that plan.

High net worth individuals who fail to implement advanced estate planning techniques prior to December 31, 2025, run the risk of a significantly higher tax bill at their death. There is less than a year remaining to be able to utilize the record-high federal gift tax exemption before the exemption is scheduled to be cut in half in 2026.

If you have a net worth (including life insurance benefits and retirement accounts) greater than $7 million individually, or $14 million as a married couple, you may want to revisit your estate plan and consider implementing estate planning strategies before any potential changes in estate and gift tax laws take effect. Prudent estate planning for wealthy families takes time and requires consideration of much more than estate and gift tax consequences, so it is in your best interests to engage with your estate planning and

business advisers sooner rather than later.

Implementing more advanced estate planning prior to December 31, 2025, will not only reduce your estate tax burden but, more importantly, will increase the amount received by your loved ones at your death and for future generations. Finally, it should be noted that the Trump Administration has suggested either making the current high exemptions permanent or eliminating the estate tax altogether, which could impact your estate planning.

Attorneys

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