

ESTATE AND GIFT TAX EXEMPTION

Understanding Changes Coming in 2026

In January 2026, the current lifetime estate and gift tax exemption will be cut in half. Families have less than 2 years to take advantage of the higher tax-free gifting rules. Congress may extend the provisions in the Tax Cuts and Jobs Act (TCJA) that increased the exemption but taking steps now to prepare for the sunset is a smart move.

ESTATE AND GIFT TAX OVERVIEW

The estate and gift tax is levied on property or assets gifted by individuals or couples, provided the gifts do not meet the criteria for exemption. The maximum estate and gift tax rate currently stands at 40% and is set to increase to 45%.

UNDERSTANDING THE EXEMPTION

The federal estate and gift tax exemption shields individuals or couples from federal estate or gift taxes when transferring a specified amount of property or assets to others during their lifetime or after their death. Currently, individuals with an estate valued at \$13.61 million or couples with an estate worth \$27.22 million can utilize this exemption to safeguard their assets from federal taxation.

ADDRESSING MISCONCEPTIONS

- Individuals who utilize a portion of the exemption now are not automatically grandfathered in for the remaining amount.
- Taxpayers who use the top of the exemption amount cannot apply the bottom amount to the exemption after 2025.

CONSIDERATIONS FOR STATE ESTATE TAXES

Be aware that many states also impose an estate tax. While some states offer exemptions from the tax, the amounts are typically lower than the federal exemption. Additionally, a few states also impose inheritance tax.

WHAT ACTIONS SHOULD YOU TAKE?

- Conduct a comprehensive valuation of your estate.
- Identify potential life events or milestones that might necessitate estate updates (e.g., retirements, new shareholders, relocations, marriages, divorces, births).
- Complete a cash flow analysis to determine the extent of gifting.
- Decide which assets are best suited for gifting.
- Assess the advantages of transferring or gifting assets before the 2026 sunset.
- Explore alternative estate planning strategies such as Spousal Lifetime Access Trusts (SLATs) or irrevocable trusts for descendants.
- Ensure proper gifting procedures and accurate reporting of gifts.

HOW YOUR TAX ADVISOR CAN HELP

Seek guidance from your tax advisor regarding strategies you can implement now to capitalize on the current high federal estate and gift tax exemption. Thoroughly assessing your current financial situation and consider future circumstances to make sure the steps you take now protect your long-term financial goals.

The tax professionals at Hancock Askew are ready to answer your questions. [Contact us](#) for more information or reach out directly to your Hancock Askew advisor.