

Looming Changes to Federal Estate & Gift Tax – Act Now!



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Following the enactment of the Tax Cuts and Jobs Act in 2017, the federal estate and gift tax exemption was increased from \$5.49 million per person to \$11.18 million, which allowed for a substantial increase in what taxpayers were allowed to transfer both during their lifetime and posthumously, without triggering federal estate or gift taxes. Currently at \$13.61 million for individuals or over \$27 million for couples with inflation adjustments, this expansion was particularly beneficial for those with sizable estates. However, this provision is set to expire on December 31, 2025, reverting back to 2017 levels unless Congress intervenes.

Starting January 1, 2026, the exemption is poised to decrease by half to \$6.81 million (\$13.6 million for couples), potentially subjecting estates above this threshold to a 40% estate tax rate on the surplus.

These impending changes prompt reconsideration of existing estate plans, especially for individuals who took advantage of the increased gift exclusion. The IRS has clarified that those utilizing the increased gift tax exclusion from 2018 to 2025 won't face adverse consequences post-2025 when the exclusion drops to pre-2018 levels.

Navigating this complex landscape necessitates comprehensive planning, including adjustments to account for

federal legislation that may impact estate plans. It's crucial for individuals to assess their circumstances meticulously and make necessary changes accordingly.

At Lippes Mathias, our Trust & Estate team is proactively assisting high-net-worth clients in adapting to these impending changes. Feel free to reach out to us with any concerns regarding the potential shift in the estate and gift tax exemption or any other inquiries.

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