NEWS & INSIGHTS

Estate planning law change coming in 2026: What you need to know now

BY: WAYNE M. PECHT | INSIGHTS | ARTICLE

NOVEMBER 25, 2024

At the start of 2026, the Tax Cuts and Jobs Act will end, and with it, a major tax savings for affluent individuals will end. The estate and gift tax exemption ($13.61 million per individual in 2024 and $13.99 million for 2025) is set to change on Jan. 1, 2026. If Congress does not act, that exemption will be cut in half to approximately $7 million. High net-worth individuals must plan to use the higher exemption as soon as possible to avoid paying a significantly higher tax amount.

The coordinated estate and gift tax exemption allows individuals to make transfers within the exemption amount to another individual or individuals free of tax. If an individual uses the estate and gift tax exemption before the end of

2025, up to $13.99 million will transfer tax-free.

However, starting in 2026, only a maximum of approximately $7 million will qualify for the exemption. With the difference of $7 million taxed at a maximum of 40%, that could cost the donor close to $3 million. With those potential savings, it is imperative for high-net-worth individuals to take advantage of the estate and gift tax exemption before 2026.

While federal lawmakers can certainly change the law and extend the entire Tax Cuts and Jobs Act or just the current rate of the estate and gift tax, it is still important to have an up-to-date estate plan before 2026. If you have any questions about the estate and gift tax exemption or any aspect of estate planning, please contact me or any member of the Saxton & Stump Trusts and Estates Group.

Related People

Wayne M. Pecht

Related Services and Industries

Trusts and Estates