

The Federal Estate Tax Sunset Post-Election: *Now What?*

The upcoming Federal Estate Tax Sunset planned for December 31, 2025, has been a trending topic for some time among financial advisors, CPAs, estate attorneys, and high-net-worth clients alike. After Congress temporarily increased the estate tax exemption amount in the 2017 Tax Cut and Jobs Act (currently \$13.61 million, with an expected additional increase to \$13.99 million in 2025), and because this increased tax provision “sunset,” or expires next year, wealthy individuals and families have had a time-limited estate planning opportunity aimed at allowing them to distribute more of their estate among heirs and potentially pay less in federal estate taxes.

Now that the 2024 general election is over, tax and wealth management professionals are watching to see if Congress will extend the increased exemption President Trump approved during his first term in office or if lawmakers will allow it to expire as planned at the end of next year. This additional uncertainty can add more complexity to already challenging high-net-worth wealth transitions, so here are some key considerations to keep in mind:

- The Federal Estate Tax Exemption is still slated to expire as of Dec. 31, 2025. Congress may modify plans between now and then, but in the absence of a crystal ball, clients with estates valued higher than \$13.99 million should continue their wealth transition planning efforts.] Higher-net-worth clients who fail to plan for the sunset of the Estate Tax Exemption may see their future wealth and tax burden substantially impacted, but they still have options to consider.
 - In the event that the Sunset occurs as planned and on schedule, lifetime gifting strategies may help preserve some tax benefit lost as a result of the decreased exemption amount. Of course, the benefit of lifetime gifting strategies should be weighed against any potential impact on cost basis adjustment and associated capital gains.
 - Intermittent gifts are the transfers of assets made during the giver's lifetime and can strategically help manage an estate's value to fall within the exemption limit. An irrevocable life insurance trust (ILIT) is a legal agreement that allows a trustee to manage a life insurance policy's death benefit and help mitigate the tax liability to heirs on assets held in the trust. Trusts can help control how and when assets are distributed to beneficiaries, offering protection against future estate tax changes.
- We've yet to see if the estate tax sunset may also impact investment strategies. A lower federal estate tax exemption may mean that more estates will be subject to the estate tax, which in turn could encourage investors to consider even more tax-efficient investment strategies.



While the Federal Estate Tax is expected to shift with inflation and changes in federal law and tax code, Congress may implement additional measures at any time that could further impact the Federal Estate Tax exemption and other gifting strategies for Estate Planning purposes. Here's a comparison between what we've seen in 2024 and, based on the current environment, what we expect to see moving forward.

Federal Estate Tax Levels 2024 – 2026

	2024	2025	2026* (EXPECTED Post-TCJA expiration)
Gift & Estate Tax Exclusion Per Person	\$13.61 million	\$13.99 million	\$7 million
Maximum Estate Tax Rate	40%	40%	40%
Marital Deduction at Death	Unlimited	Unlimited	Unlimited
Charitable Deduction at Death	Unlimited	Unlimited	Unlimited
"Portability" of Unused Exclusion to Spouse	Yes	Yes	Yes
Step-Up of Basis Upon Death	Yes	Yes	Yes

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Sources:

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