

Alert | Private Wealth Services



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Tax Bill Seeks to Permanently Increase Gift, Estate, and Generation-Skipping Transfer Tax Exemptions

On May 14, the House Ways and Means Committee approved the Make American Families and Workers Thrive Again Act, which would preserve and expand provisions of the 2017 Tax Cut and Jobs Act (TCJA). The bill contemplates a permanent increase in the estate, gift, and generation-skipping transfer (GST) tax exemptions.¹

- Under TCJA, the gift, estate, and GST exemptions were increased from \$5 million per person plus annual inflation adjustments to \$10 million per person plus annual inflation adjustments.
- Given the inflation adjustment, the exemptions are currently \$13,990,000.
- If Congress does not act, the exemptions are slated to be reduced to their pre-TCJA levels after Dec. 31, 2025, i.e., \$5 million plus an inflation adjustment (approximately \$7 million). Unused exemption over the reduced amounts would be permanently lost.
- The bill would permanently increase the gift, estate, and GST exemptions to \$15 million in 2026.
- Annual inflation adjustments would begin to apply in 2027.

¹ As of the publication date, the House Ways and Means Committee has approved this version of the bill. The text remains subject to change during the Senate process and potential conference negotiations.

Considerations for Estate Planning Strategy

- Lifetime gifting to properly structured trusts to which GST exemption is allocated may preserve assets without incurring gift, estate, or GST tax for multiple generations.
- Lifetime gifting is commonly used in connection with estate planning freeze techniques, the limits of which, in some respects, depend on the amount that can be gifted as “seed capital” for those structures.
- A permanent increase in the exemption amounts may permit those with available assets to commit more value to those structures and eliminate the need for those contemplating gifting to rush to complete those transactions before sunseting under existing law would apply.

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