

Sunset of the Lifetime Gift and Estate Tax Provisions of the Tax Cuts and Jobs Act

Introduction to the Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (TCJA) that was passed and signed into law in December 2017 made significant changes across multiple areas of the tax code. Since the TCJA was passed via the budget reconciliation process, sunset provisions had to be built in for some of the major components. Unless legislative action is taken, many key provisions of the TCJA are expected to sunset (or expire) on December 31, 2025.

Lifetime Gift and Estate Tax Sunset

One critical provision that is scheduled to sunset is the lifetime gift and estate tax exemption (“the exemption”) — this is the amount any individual can either gift¹ during their lifetime or leave to their heirs (other than a spouse²) after death, on a gift and estate tax-free basis. Any amount gifted or bequeathed above the exemption amount is taxed at a 40% federal rate.³

When the TCJA went into effect for tax year 2018, the exemption increased from \$5.49 million to \$11.8 million per person and has since been adjusted annually for inflation. As of January 1, 2025, the exemption is \$13.99 million per person. Without further legislative action, the exemption will decrease on January 1, 2026, to the pre-TCJA amount of \$5 million per person, adjusted annually for inflation. This amount is projected to be approximately \$7 million per person for tax-year 2026.

Potential Tax Legislation in 2025: “One Big Beautiful Bill”

On May 22, 2025, the House of Representatives passed the “One Big Beautiful Bill” (“the Proposed Bill”) to address the upcoming sunset of the TCJA, coupled with new tax provisions affecting individuals and businesses. The Proposed Bill is currently awaiting consideration by the Senate.

Under the Proposed Bill, the TCJA exemption amount would not only be extended but increase to \$15 million per person for tax-year 2026. This amount will continue be adjusted annually for inflation.



For more information about the potential 2025 tax legislation, click here: [Tracking 2025 Tax Legislation](#).

Estate Taxation Analysis: Before vs. After the Sunset

Let's assume that a married couple has a net worth of \$30 million. Under the TCJA, if both spouses were to pass away and leave their entire estate to their heirs:

	As of Today	As of January 1, 2026
Total Estate Value	\$30,000,000	\$30,000,000
Combined Gift and Estate Tax Exemptions	\$27,980,000	\$14,000,000
Taxable Estate	\$2,020,000	\$16,000,000
Estimated Estate Tax	(\$808,000)	(\$6,400,000)
Net to Heirs	\$29,192,000	\$23,600,000

Note: Calculations are approximate

Without additional planning, the sunset of the gift and estate tax exemptions could result in an estimated increase in estate taxes of \$5,592,000.

Estate Taxation Analysis: TCJA vs. the Proposed Bill

Now, how would the Proposed Bill impact the analysis under the same assumptions as above?

	As of Today	As of January 1, 2026
Total Estate Value	\$30,000,000	\$30,000,000
Combined Gift and Estate Tax Exemptions	\$27,980,000	\$30,000,000
Taxable Estate	\$2,020,000	\$0
Estimated Estate Tax	(\$808,000)	\$0
Net to Heirs	\$29,192,000	\$30,000,000

Note: Calculations are approximate

The exemption amount contained in the Proposed Bill could result in an estimated estate tax of \$0 for married couples with a total estate value of \$30 million or less.

For Illustrative Purposes Only. Please contact your tax advisor to determine how this may affect you and your estate.

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Planning Opportunities

There are many significant opportunities available for individuals and families who may be impacted by the potential sunset of the TCJA gift and estate tax exemptions. Since the sunset is not scheduled to happen until January 1, 2026, below are some considerations when reviewing your current estate plan to determine if additional action steps are appropriate:

- Tracking and analyzing the impact potential tax legislation may have on your estate plan
- Transferring⁴ assets to your heirs today may reduce the size of your taxable estate and potentially minimize future estate taxes
- As the sunset approaches, there may be a shortage of qualified legal and tax professionals available to draft necessary legal documents and implement your strategic plan

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¹ Amounts above annual exclusion gift limit (currently \$19,000 for tax year 2025).

² Transfers to a spouse are generally free of gift and estate tax.

³ This does not include any state estate tax or generation skipping transfer tax, if applicable.

⁴ Transfer may mean gift, sale or loan.

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