SCHENCK PRICE

LEGAL ALERT

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ESTATE, GIFT, AND GENERATION SKIPPING TRANSFER TAX EXCLUSION AMOUNTS FOR 2027

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The federal basic exclusion amount for estate, gift, and generation skipping transfer tax purposes was $15,000,000 per person in 2026. This figure will increase to $15,480,000 in 2027. This basic exclusion amount represents the total amount of property that an individual may pass to anyone, through lifetime gifting and upon his or her death, without the imposition of a federal estate, gift or generation skipping transfer tax.

Further, the concept of portability will still apply in 2027, which allows the surviving spouse to add any unused portion of the basic exclusion amount of the first spouse to die to the survivor's own exclusion amount for gift or estate (but not for generation skipping transfer) tax purposes.

The law providing for the enhanced lifetime basic exclusion amount was scheduled to automatically expire or sunset beginning January 1, 2026, however, last year's enactment of The One Big Beautiful Bill Act ("OBBBA") eradicated the sunset and made the exclusion "permanent" at $15,000,000 per person (adjusted for inflation). The permanent nature of this exemption only denotes that there is no expiration date built into the change and subsequent legislation could alter the exemption in the future.

The annual gift tax exclusion amount will also increase from $19,000 to $20,000 for 2027. This exclusion amount allows individuals, in 2027, to gift up to $20,000 to each of an unlimited number of individuals. Further, since no federal gift tax is imposed on such gifts, no basic exclusion amount is applied to offset the value of the gift and generally no federal gift tax return (Form 709) is required to be filed unless the individual is "splitting gifts" with your spouse.

If you have any questions or require additional information, please contact any member of Schenck Price's Tax Trusts and Estates Practice Group.

DISCLAIMER: This Alert is designed to keep you aware of recent developments in the law. It is not intended to be legal advice, which can only be given after the attorney understands the facts of a particular matter and the goals of the client.

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