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2026 Individual, Estate, Gift & Trust Tax Update

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Roadmap

01 **Individual Income Tax**
OBBBA scorecard, SALT, new deductions, itemized limits, 199A, QSBS, Q4 checklist

02 **Estate and Gift**
$15M exemption, planning posture, 2024-2026 case law

03 **Trusts**
2026 rates, distribution levers, inherited IRA regulations

04 **Procedure and Compliance**
Compliance Watchlist

05 **Wrap-Up**
Takeaways and discussion



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01

Individual Income Tax

What OBBBA made permanent, what it made temporary, and what starts in 2026

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2026 Brackets and Standard Deduction

RATE	SINGLE (TOP OF BRACKET)	MFJ (TOP OF BRACKET)	TRUSTS / ESTATES
10%	$12,400	$24,800	$3,300
12%	$50,400	$100,800	n/a
22%	$105,700	$211,400	n/a
24%	$201,775	$403,550	$11,700
32%	$256,225	$512,450	n/a
35%	$640,600	$768,700	$16,000
37%	Over $640,600	Over $768,700	Over $16,000

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Standard Deduction and Permanent Rates

$32,200

Standard deduction, MFJ

Single / MFS $16,100

$24,150

Head of household

65 or blind: add $1,650 ($2,050 unmarried)

7

Rates, now permanent

10, 12, 22, 24, 32, 35, 37

2026 Thresholds That Matter

$98,900

0% LTCG ceiling, MFJ

Single $49,450; 15% runs to $613,700 MFJ ($545,500 single)

$613,700

20% LTCG starts above, MFJ

NIIT 3.8% still unindexed: $250,000 MFJ, $200,000 single

$140,200

AMT exemption, MFJ

Single $90,100; phaseout begins $1,000,000 MFJ / $500,000 single

2026 Thresholds That Matter, Continued

$2,200

Child tax credit

Refundable portion $1,700; indexed after 2025

$512,000

Excess business loss, MFJ

Single $256,000; limitation made permanent

$403,500

199A threshold, MFJ

Single $201,750; phase-in range now $150,000 MFJ / $75,000 single

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OBBBA Scorecard: Permanent vs. Temporary

Made permanent

- TCJA rates and brackets
- Larger standard deduction
- $2,200 child tax credit
- Higher AMT exemption
- Section 199A (20%)
- Excess business loss limit
- $15M estate, gift, GST exemption

Temporary (2025-2028/29)

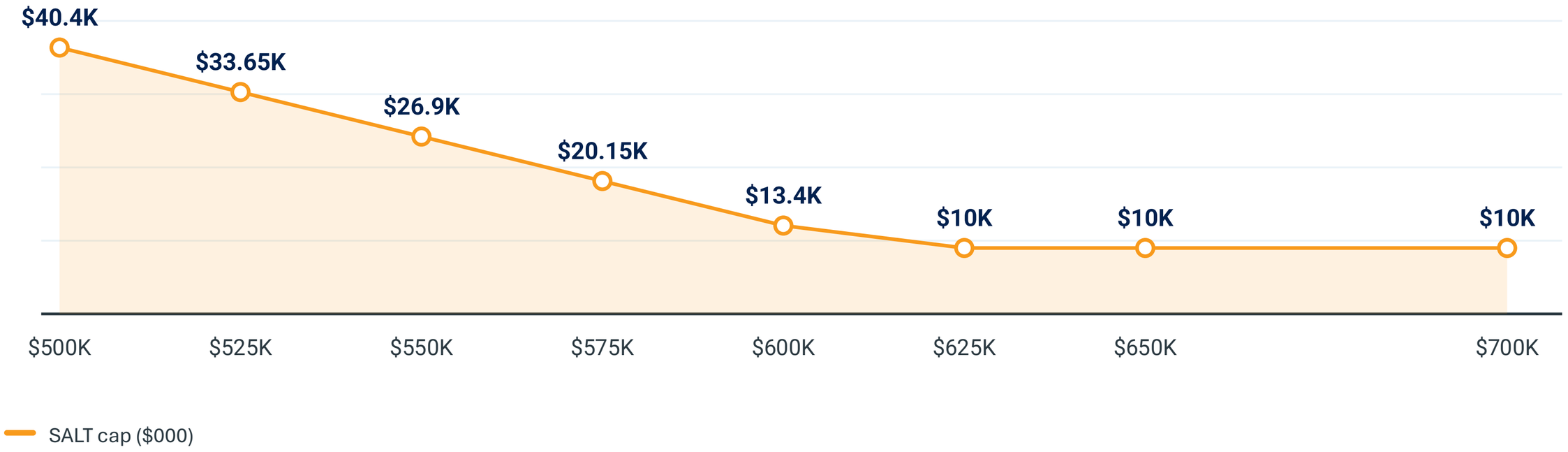
- Senior deduction $6,000
- No tax on tips (to $25,000)
- No tax on overtime premium
- Car loan interest (to $10,000)
- SALT cap $40,400 for 2026, reverts to $10,000 in 2030

New for 2026

- 0.5% of AGI floor on itemized charitable gifts
- 2/37 limit on itemized deductions
- Non-itemizer charitable deduction
- Trump accounts open for contributions July 4, 2026
- $20,000 K-12 529 limit

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SALT Cap: $40,400, but Not for High Earners



SALT CAP

What It Means

- Cap: $40,400 (2026), up 1% a year through 2029
- Reduced by 30% of MAGI over $505,000, floor $10,000
- Floor reached at $606,334 MAGI
- PTET elections still add value; the cap does not limit the entity-level deduction

KEY TAKEAWAY

Reverts to $10,000 in 2030

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New 2025-2028 Deductions

DEDUCTION	MAXIMUM	PHASE-OUT BEGINS (MAGI)	PERIOD
Senior (65+)	$6,000 per qualifying individual	$75,000 single / $150,000 joint; 6% reduction	2025-2028
Qualified tips	$25,000	$150,000 single / $300,000 joint; $100 per $1,000	2025-2028
Overtime premium	$12,500 ($25,000 joint)	$150,000 single / $300,000 joint; $100 per $1,000	2025-2028
Car loan interest	$10,000	$100,000 single / $200,000 joint	2025-2028

PLANNING ANGLE

For our client base the value is mostly in MAGI management for older parents and retirees, not the deduction itself. Model Roth conversions and gain realization against the senior phase-out band. The MAGI phase-out thresholds are fixed by statute and not indexed for inflation.

2026 Itemized Deduction Changes

0.5% AGI floor

- Charitable gifts deductible only above 0.5% of AGI
- Disallowed amount can be carried forward only if the taxpayer also has a charitable contribution carryover arising from an applicable percentage-of-AGI limitation in that contribution year
- Hits large, steady donors every year

2/37 limitation

- Reduces itemized deductions by 2/37 of the lesser of (a) itemized deductions or (b) income above the 37% bracket start
- Top-bracket benefit is about 35 cents per dollar

Non-itemizer gifts

- $1,000 single / $2,000 joint
- Cash to public charities
- Not DAFs or supporting organizations
- 60% cash AGI limit now permanent

Illustration (Simplified)

MFJ, $2.0M AGI, $100,000 of gifts. Floor disallows $10,000. With $200,000 of itemized deductions and about $1.23M of income above $768,700, the 2/37 reduction is about $10,800.

$2.0M

MFJ AGI

$10,000

Disallowed by the floor

$10,800

2/37 reduction (about)

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Charitable Planning Under the New Floor

01 **Bunch gifts into fewer years**

The floor is lost once per year of giving, so concentrate. Fund a DAF in the high-income year and grant over time.

02 **Give appreciated securities**

Avoids the embedded gain and the deduction is at fair market value, subject to the 30% of AGI limit.

03 **Use QCDs from IRAs (age 70½+)**

Excluded from income, so the floor and the 2/37 limitation never apply.

04 **Model the top-bracket benefit**

About 35 cents per dollar at the top; revisit timing and entity-level options.

Section 199A Is Permanent, with Tweaks

20% deduction rate

Permanent; no 2025 sunset

$400 minimum deduction

Active QBI of at least $1,000; indexed after 2026

What to do with it

- Phase-in range widened to $150,000 MFJ / $75,000 single, starting 2026
- Thresholds: $403,500 MFJ, $201,750 single; phase-in complete at $553,500 / $276,750
- Re-test W-2 wage and UBIA limits for high-income owners
- SSTB classification: the wider range reduces the cliff but does not remove it
- PTET: confirm the interaction with QBI on state-level elections
- Trusts: separate threshold, planning depends on distributions

Gains, NIIT and QSBS

Rates and thresholds

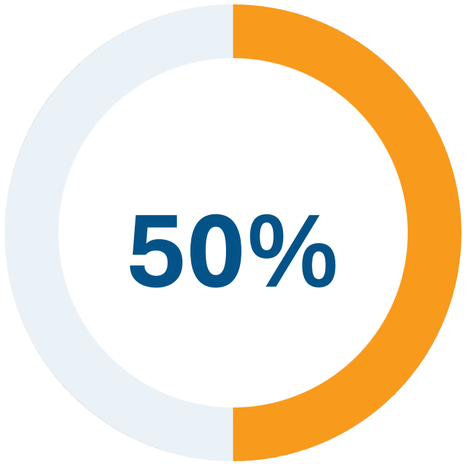
- 0%/15%/20% structure unchanged
- 20% starts above $613,700 MFJ ($545,500 single)
- NIIT 3.8% above $250,000 MFJ / $200,000 single, still not indexed
- Trusts: 20% above $16,250, NIIT above $16,000

QSBS under Section 1202

Stock issued after July 4, 2025

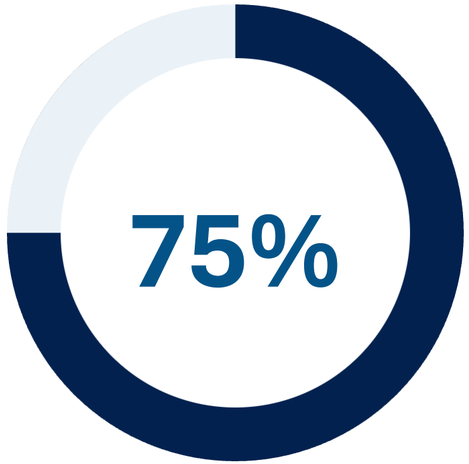
- Per-issuer cap rises to $15M, indexed after 2026
- Gross assets test rises to $75M
- Stock issued on or before July 4, 2025 keeps the old rules: 100% at 5 years, $10M cap

QSBS Under Section 1202: Stock Issued After July 4, 2025



3 years

gain excluded



4 years

gain excluded



5+ years

gain excluded

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Trump Accounts and Education Savings

Trump accounts (Section 530A)

- Contributions began July 4, 2026
- $5,000 annual limit per child, indexed for inflation beginning in 2028
- $1,000 pilot deposit for citizen children born 2025-2028; outside the cap
- Employer contributions to $2,500, counted in the cap
- Elect with Form 4547 (return or online)
- Treasury and IRS have issued temporary regulations effective September 30, 2026

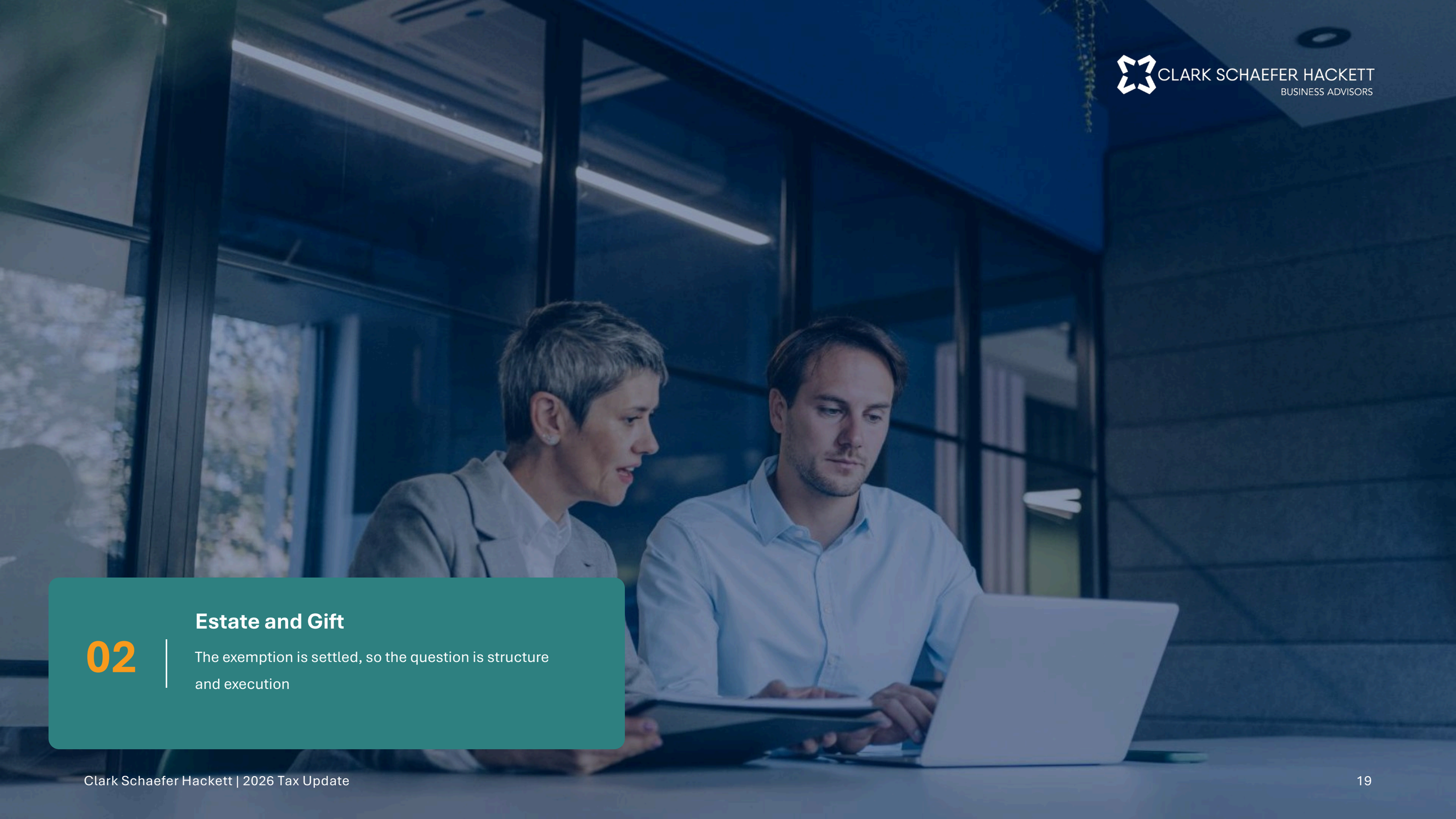
529 and credits

- K-12 qualified expenses: $20,000 per year, up from $10,000
- Credentialing expenses now qualify
- Child tax credit $2,200 per child

Planning question for HNW: where does a Trump account fit next to 529s and UTMAs?

Q4 2026 Action Checklist

ACTION	2026 DRIVER	DEADLINE
True up estimates	110% prior-year safe harbor if prior AGI over $150,000	Q4 installment Jan. 15, 2027
Bunch charitable gifts	0.5% floor and 2/37 limitation	Dec. 31
Roth conversion modeling	Permanent brackets; fill 24%/32%; senior phase-out	Dec. 31
Harvest gains and losses	0/15/20% thresholds, 3.8% NIIT	Dec. 31
PTET election and payments	SALT cap floors near $606,000 MAGI	State deadlines
Annual exclusion and 529 gifts	$19,000 per donee ($38,000 split)	Dec. 31
199A review	$400 minimum, wider phase-in, W-2 and UBIA	Before year end



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02 Estate and Gift

The exemption is settled, so the question is structure and execution

Exemption: $15M, Permanent, Indexed from 2027

$15M

Per person, 2026

$30M for a couple; GST exemption also $15M

$19,000

Annual exclusion

$38,000 with gift splitting

$194,000

Non-citizen spouse

Annual exclusion, Sec. 2523(i)

EXEMPTION: $15M, PERMANENT, INDEXED FROM 2027

Also for 2026

- No sunset; indexing for inflation begins in 2027; top rate remains 40%
- Section 2032A special use valuation limit $1,460,000; Section 6166 2% portion $1,940,000
- Portability (DSUE) remains available; election requires a timely Form 706



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Planning Posture After OBBBA



1. Audit formula clauses

Exemption-referencing marital and credit shelter formulas drafted to old numbers can misallocate.



2. Basis vs. exclusion

Rev. Rul. 2023-2: no step-up for IDGT assets outside the estate. Decide where to be.



3. State taxes

As of 2026, 12 states and D.C. have estate taxes. An additional four states impose only an inheritance tax.



4. Buy-sell review

After Connelly, insurance proceeds in entity redemption plans raise entity value.



5. Keep gifting growth

Clients over $30M still freeze appreciation with SLATs, GRATs, and sales to IDGTs.



6. Document legitimately

Fields: formation of a family LP needs real non-tax purpose, not post hoc.

Cases: Estate Inclusion and Valuation

Connelly v. United States

- S. Ct. No. 23-146 (June 6, 2024)
- Redemption obligation does not reduce the value of insurance proceeds held by the company.
- Takeaway: Revisit entity-redemption buy-sells.

Estate of Fields

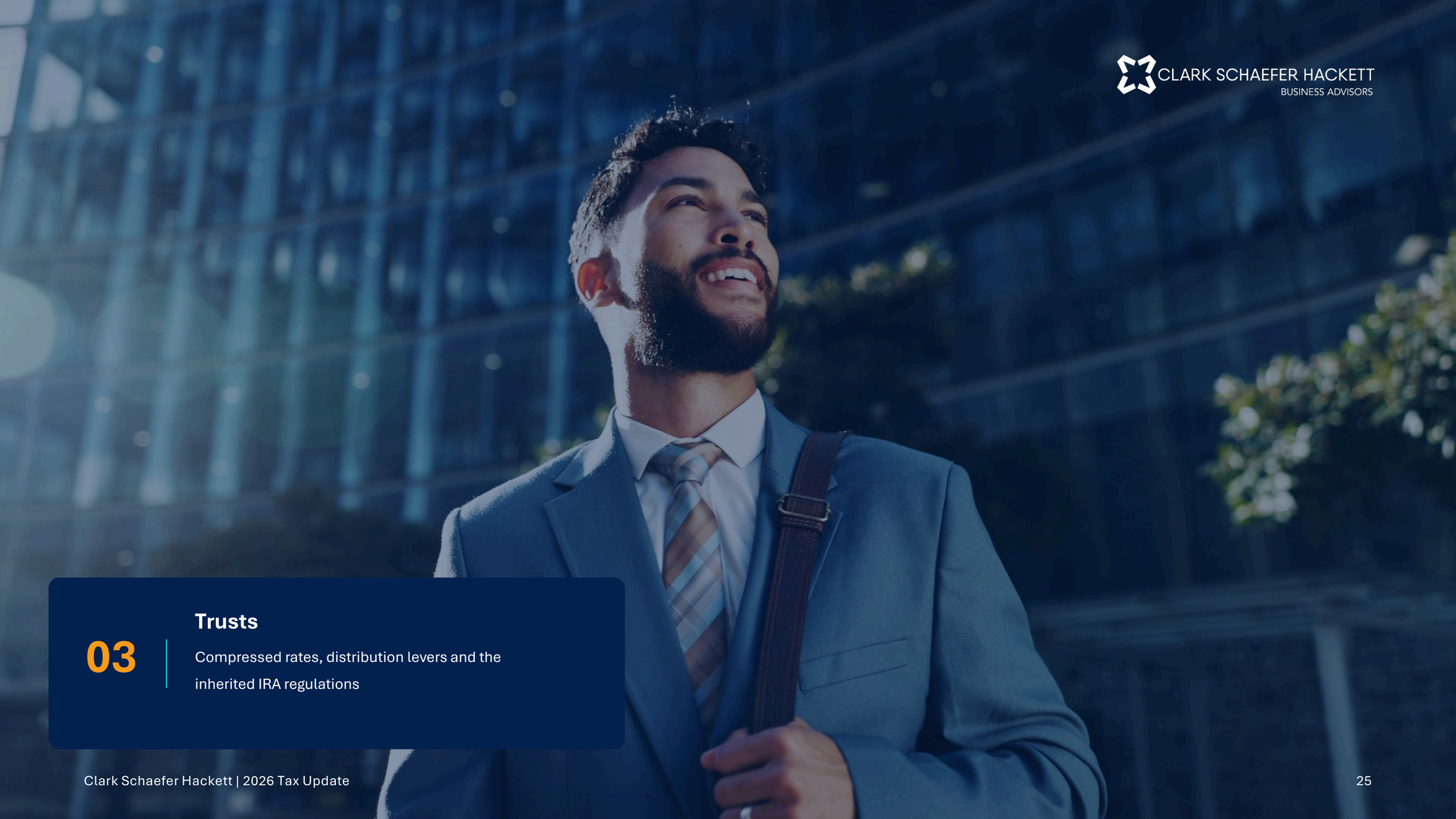
- T.C. (Sept. 26, 2024), aff'd 5th Cir. No. 25-60403 (June 8, 2026)
- $17M moved into a family LP shortly before death; Sec. 2036(a) inclusion plus 20% penalty.
- Takeaway: Non-tax purpose must be real and contemporaneous.

Estate of Becker

- T.C. (Sept. 24, 2024)
- Tax Court respected the ILIT premium-financing structure: step transaction did not apply; proceeds excluded from the gross estate.
- Takeaway: Taxpayer win, but structure matters.

Cases: Gifts, QTIP and Claims

CASE	HOLDING	PRACTICE POINT
Anenberg / McDougall (T.C. 2024)	QTIP termination by agreement: no gift by the surviving spouse; remainder beneficiaries made taxable gifts in McDougall	Report gift and non-gift transactions; be careful when terminating a QTIP
Estate of Galli (T.C. Mar. 5, 2025)	$2.3M intrafamily note respected as a loan: signed, AFR interest, fixed term, payments made	Follow loan formalities strictly
Estate of Spizzirri (11th Cir. May 16, 2025)	Payments to stepchildren under a prenup not deductible under Sec. 2053; donative in character	Prenup payments to family face close scrutiny

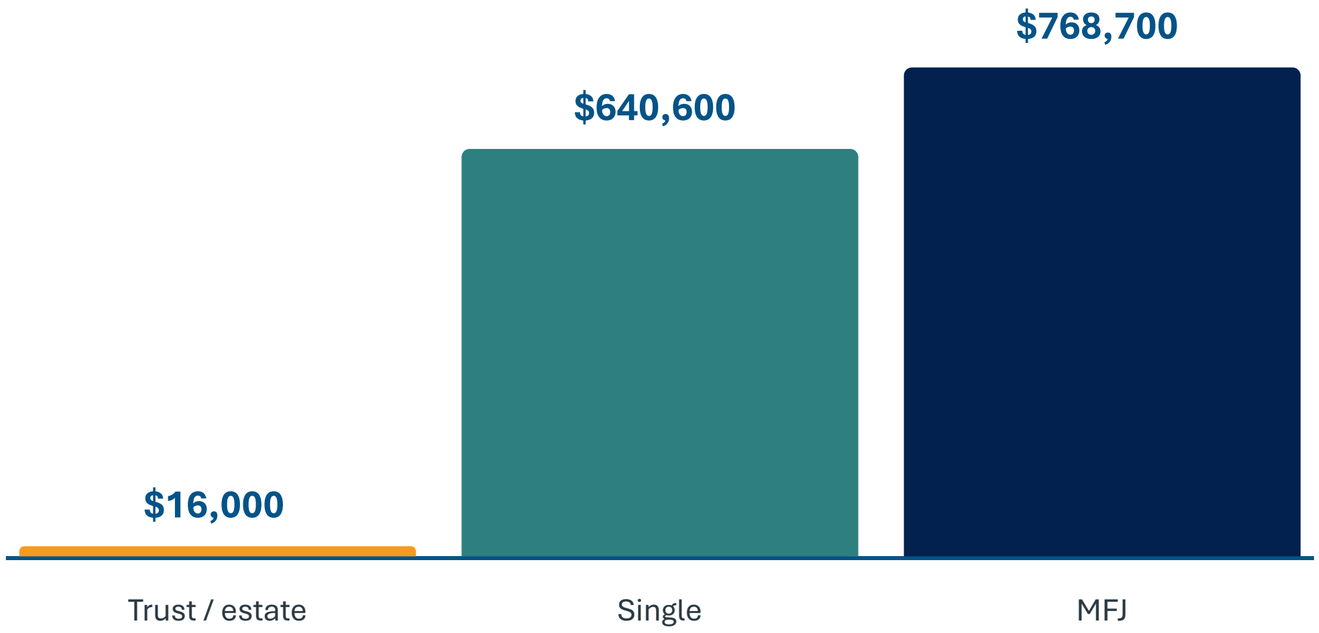


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03 Trusts

Compressed rates, distribution levers and the inherited IRA regulations

Trust Rates: 37% at $16,000



37% bracket starts ($000)

A trust reaches the 37% bracket at $16,000 of taxable income in 2026, compared with $640,600 for a single individual and $768,700 for a married couple.

TRUSTS

2026 Trust Items

2026 TRUST ITEM	AMOUNT
10% bracket	to $3,300
24% bracket	to $11,700
35% bracket	to $16,000
37% bracket	over $16,000
LTCG 0% / 15% / 20%	$3,300 / $16,250 / above
NIIT applies above	$16,000
AMT exemption	$31,400

Trust Planning Levers

Distribute DNI

Carry income out to lower-bracket beneficiaries 65-day election under Sec. 663(b)

Estates: Sec. 645

Elect treatment of a revocable trust as part of the estate Fiscal year option

Grantor status

IDGT lets the grantor pay the tax Non-grantor: separate taxpayer

S corporation trusts

ESBT or QSST election Verify timely election

Exemption

Sec. 642(b): $100 / $300 / $600 Small, but easy to miss

QBI and SALT

Trust-level 199A threshold Non-grantor SALT cap treatment

Inherited IRAs: Annual RMDs Now Enforced

The rule

Year 1 to Year 9: RMD each year. Year 10: account empty.

- Owner died on or after required beginning date: annual RMDs in years 1-9, account empty by year 10
- Owner died earlier: ten-year deadline only
- Effective 2025; prior-year RMD penalties waived
- The ten-year deadline was not extended

What to check

- Eligible designated beneficiary status
- Conduit vs. accumulation trust drafting
- Trust income tax: retained IRA income is taxed at trust rates
- Coordinate with Roth conversion and bracket planning

Compliance Watch List

Gift tax

- Form 709 e-filing available since June 22, 2025
- Spousal split-gift consent is now a separate Notice of Consent attached to the donor’s return

Elections and forms

- Form 4547 for Trump accounts
- 1099-NEC/MISC threshold rises to $2,000 for payments after 2025
- Review client intake letters

Basis shifting

- Notice 2025-23 gives relief while rules are reconsidered
- Rev. Rul. 2024-14 was not revoked
- Treat related-party basis shifts with caution

WRAP-UP

Five Takeaways

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01 **Permanent law**

Model rates, 199A and the $15M exemption as permanent; model the temporary items to 2028-2030.

02 **New itemizer math**

0.5% floor and 2/37 limitation change charitable timing from 2026.

03 **Execution over urgency**

Formula clauses, basis, buy-sells and documentation now matter more than rush gifts.

04 **Trust compression**

37% at $16,000: distribute, restructure, or accept the cost deliberately.

05 **Substance wins cases**

Fields and Galli turn on documented, contemporaneous non-tax facts.



Questions?

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