PORZIO
BROMBERG & NEWMAN

CLIENT & ADVISOR ALERT · NOVEMBER 2026

PORZIOPLANNING.COM

The 2027 numbers are in. The details still decide.

The IRS has published its inflation adjustments for 2027. Each figure moved up, but how much of that room a family can use depends on asset type, basis, trust design and the state where they live.

ESTATE, GIFT & GST EXEMPTION
$15.48M +$480K
Per individual; $30.96 million for a married couple with proper planning.

ANNUAL EXCLUSION
$20,000 +$1K
Per recipient. $40,000 when spouses elect to split gifts.

NON-CITIZEN SPOUSE
$201,000
Annual exclusion for gifts where the marital deduction is unavailable.

TRUST TOP BRACKET
$16,500
Taxable income at which retained trust income reaches 37%.

WHERE THE NUMBERS MATTER

FAMILIES & LIFETIME GIFTING

The question has shifted to which assets

With the exemption indexed and no scheduled sunset, the pressure to gift before a deadline has eased. What remains is choosing the right assets and the right vehicle to hold them. The GST exemption governs gifts meant to reach grandchildren and, unlike the estate exemption, cannot pass to a surviving spouse.

BUSINESS OWNERS

QSBS and estate tax deferral reward early structuring

For qualified small business stock issued after July 4, 2025, the gain exclusion phases in at 50%, 75% and 100% after three, four and five years, with a per-issuer cap of **$15.48 million** (or ten times basis, if greater). Where a closely held business exceeds 35% of the estate, IRC §6166 can spread estate tax over up to 14 years, with a 2% interest rate on the tax attributable to the first **$2.01 million** of value.

TRUSTS & FIDUCIARIES

Retained income reaches the top rate quickly

A trust that accumulates income reaches the 37% bracket, and the 3.8% net investment income tax, at just **$16,500**. Distributions to beneficiaries in lower brackets can shift that tax, and the 65-day rule lets trustees treat distributions made through **March 6, 2027** as 2026 distributions. We weigh that against the protection the trust was built to provide.

REAL ESTATE & APPRECIATED ASSETS

Basis can matter as much as the exemption

An asset given during life keeps the donor's tax basis. An asset held until death generally receives a basis adjustment to its value at death. That often makes cash and high-basis assets the better gifts, while long-held, low-basis real estate is worth more to heirs if held. Assets expected to appreciate sharply can reverse that analysis.

COMMON MISASSUMPTIONS

"The higher exemption expired in 2026."
Legislation enacted in 2025 replaced the scheduled reduction with a $15 million base, now indexed for inflation.

"My spouse's unused exemption carries over automatically."
Portability requires a timely filed federal estate tax return, even when no tax is due.

"A gift to a trust counts toward the annual exclusion."
Only when the trust gives beneficiaries a present interest, usually through properly administered withdrawal rights.

THE NEW YORK & NEW JERSEY OVERLAY

New York

Imposes its own estate tax with an exclusion far below the federal amount. An estate that exceeds it by more than 5% loses the exclusion entirely, and certain gifts made within three years of death are added back.

New Jersey

Has no estate tax, but its inheritance tax still reaches transfers to siblings, children-in-law, nieces, nephews and friends, at rates up to 16%.

BEFORE YEAR-END

Where we are focusing with clients now

1. **Complete 2026 annual exclusion gifts** at $19,000 per recipient by December 31; the $20,000 amount starts January 1.
2. **Revisit formula clauses** in wills and revocable trusts. A clause keyed to the federal exemption can overfund a bypass trust or trigger the New York cliff.
3. **Model trust distributions** for 2026 while the 65-day window remains open.
4. **Confirm portability** for any surviving spouse, including whether a late election is still available.

One of our estate planning and tax attorneys will review how the 2027 figures interact with your current documents and coordinate with your CPA and financial advisor on timing.

ATTORNEY ADVERTISING

Results may vary depending on your particular facts and legal circumstances. This alert provides general information and is not legal or tax advice; reading it does not create an attorney-client relationship. Primary authority: IRS Rev. Proc. 2026-35. Later legislation or guidance may change these amounts. No aspect of this advertisement has been approved by the Supreme Court of New Jersey.

Porzio, Bromberg & Newman, P.C.
pbnlaw.com