



CLIENT EDUCATION BRIEFING

Estate and Gift Taxes

What every client should know about giving during life and passing on wealth at death

Estate and gift taxes sit at the center of almost every wealth transfer plan, yet most people only think about them once, usually after a death in the family or right before writing a large check to a child or grandchild. This briefing lays out how both taxes work, the dollar figures that apply in 2026, and the points where a little planning goes a long way.

The Estate Tax

A tax on your right to transfer property, not on the person who receives it.

The federal estate tax is calculated against your estate before assets reach your heirs. The taxable estate includes essentially everything you own or have an interest in on the date of death: cash, securities, real estate, business interests, retirement accounts, life insurance proceeds you controlled, and property held in certain trusts, all valued at fair market value.

Most estates never pay this tax. It only applies once the value of an estate exceeds the exemption amount below, and even then, only the excess is taxed.

The Gift Tax

It runs on the same meter as the estate tax, just started earlier.

The gift tax applies to transfers you make during your lifetime for less than full value in return. It works alongside the estate tax rather than separately from it: gifts above the annual exclusion amount use up part of the same lifetime exemption that would otherwise shelter your estate at death. The donor, not the recipient, is generally responsible for paying any gift tax due.



The Numbers for 2026

The exemption was scheduled to be cut in half. Instead, it went up.

Congress permanently reset these figures through the One Big Beautiful Bill Act (Public Law 119-21), signed July 4, 2025. Before that law, the exemption had been scheduled to roughly cut in half on January 1, 2026 under prior legislation. Years of client planning built around that deadline can now be revisited on a longer timeline.

2026 Figure	Individual	Married Couple / Notes
Annual gift tax exclusion (per recipient)	\$19,000	\$38,000 combined per recipient — each spouse gives \$19,000
Basic exclusion amount (lifetime gift and estate tax exemption, per person)	\$15,000,000	\$30,000,000 combined, with portability of any unused amount
Estate tax filing threshold (gross estate)	\$15,000,000	Filing is also required below this amount if electing portability
Top estate and gift tax rate	40%	Applies to cumulative transfers above the exemption

The \$19,000 annual exclusion applies per recipient, with no limit on the number of people you can give to in a year. A married couple can jointly give \$38,000 to any one person without touching their lifetime exemption or filing a gift tax return, so long as both spouses consent to split the gift.

What Gifts Are Never Taxed

Some transfers never enter the calculation at all.

Several categories of gifts fall outside the gift tax entirely, regardless of amount:

- Tuition or medical expenses paid directly to the school or medical provider on someone else's behalf
- Gifts to your U.S. citizen spouse, including lawfully married same-sex spouses
- Gifts to qualifying charities
- Gifts to political organizations for their own use
- Any gift that falls within the annual exclusion amount for that recipient



One point worth clearing up: gifts are not deductible on your income tax return, and receiving a gift is not taxable income to the recipient. The gift tax and the income tax are entirely separate systems.

Do You Need to File a Return?

The filing question and the tax-owed question are not the same question.

Estate tax returns — Form 706

Required when the gross estate exceeds the filing threshold for the year of death: \$13,990,000 for deaths in 2025, and \$15,000,000 for deaths in 2026. The return is due nine months after death, though a six-month extension is available on Form 4768. Filing is also required below the threshold whenever the estate elects to pass any unused exemption to a surviving spouse.

Gift tax returns — Form 709

Required for any calendar year in which you give more than the annual exclusion amount to any one recipient, or make a gift that does not qualify for the marital or charitable deduction and exceeds the exclusion, regardless of whether any tax is actually owed. Form 709 can be filed electronically and generally follows the individual income tax filing deadline.

Married Couples Get More Room

Two spouses, two exemptions, and a way to share what one of you does not use.

Gift splitting lets spouses treat a gift from one of them as if half came from each, doubling the annual exclusion available to a given recipient. Portability lets a surviving spouse use any of the deceased spouse's unused exclusion amount (DSUE), in addition to their own, provided the deceased spouse's estate files a timely Form 706 to elect it, even if the estate is well under the filing threshold.



Basis Rules: Gifts Versus Inheritances

The same asset can produce two very different tax outcomes, depending on how it changes hands.

Property received as a gift keeps the donor's original cost basis, so a later sale can trigger a large capital gain if the asset has appreciated significantly. Property received by inheritance instead gets a basis equal to fair market value on the date of death under IRC Section 1014, which often eliminates most or all of the built-in gain. In some cases, holding an appreciated asset until death rather than gifting it during life produces a materially better result for your heirs.

How Crossbridge Global Tax Can Help

The best time to plan around these rules is before the gift is made, not after.

We can help you:

- Model how a planned gift or bequest interacts with your remaining lifetime exemption
- Prepare and file Form 709 or Form 706, including portability elections
- Coordinate gift and estate planning with your basis and income tax position
- Advise on cross-border situations, including gifts and bequests involving non-U.S. persons

Crossbridge Global Tax provides tax planning and compliance services and does not provide investment or legal advice. This briefing is educational in nature, summarizes general federal rules in effect for 2026, and does not address state-level estate or inheritance taxes. Please consult your Crossbridge advisor before making a significant gift or as part of your estate planning.

Source: Internal Revenue Service, "Estate and Gift Taxes" and related FAQ pages, IRS.gov.