

WHAT DOES THE PERMANENT FEDERAL ESTATE TAX EXEMPTION MEAN FOR YOU?



RETIRE WISE

About six months before historically high gift, estate, and generation-skipping exemption levels were scheduled to expire, legislation changed course. The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, made these exemption amounts permanent. Because they continue to be indexed annually for inflation, taxpayers can plan with clarity and adjust strategies to meet a wide range of legacy planning objectives.

Starting January 1, 2026, the federal estate tax exemption will rise to \$15 million per person, up from \$13.99 million in 2025. That doubles for married couples, meaning they can transfer up to \$30 million without incurring estate taxes.

While the lifetime exemption is increasing, the annual gift exclusion will stay the same next year: \$19,000 per recipient, or \$38,000 for couples who combine their exclusions. Taxpayers can give to as many people as they'd like each year within these limits—without filing a gift tax return (Form 709) or using any of their lifetime exemption.

Many strategies are available to taxpayers seeking to witness their legacies in action during their lifetime. For example, frontloading up to five years of cash gifts into a 529 plan is a popular strategy among parents and grandparents. When contributed to a 529 plan, these gifts have the potential to grow and be distributed free of federal, and in most cases, state income taxes, as long as they are used for qualified education expenses as defined by the Internal Revenue Service. While account owners generally retain control over 529 accounts, these assets (and all future earnings) are excluded from the donor's federal taxable estate.

For tax years 2025 and 2026, individuals can gift up to \$95,000 per beneficiary, and a married couple can gift up to \$190,000 per beneficiary. However, if you choose to accelerate five years of gifts to a 529 account in 2025, you will not be able to contribute additional money to that same account until 2030 (2031 for gifts made in 2026). December 31 is the deadline for funding a 529 plan for the current tax year.

Keep in mind, the federal exemption amounts discussed here do not affect state-level estate or inheritance taxes, which may have different thresholds. Consult with a professional tax or estate planning attorney for information about tax laws specific to your state of legal residence.

To learn more about this and other strategies to help shape your legacy during your lifetime, contact the office to schedule a time to talk.

1) Taylor, Kelley R., "What is the Gift Tax Exclusion for 2025 and 2026?" 20 OCT 2025, Kiplinger.com, <http://www.kiplinger.com/taxes/gift-tax-exclusion>.

2) Ibid.

Get Ready for Big Changes to Medicare in 2026

Changes are in store for Medicare beneficiaries in 2026, including the implementation of Medicare-negotiated lower prices for a set of high-cost prescription drugs. The Centers for Medicare & Medicaid Services recently announced these and other changes impacting beneficiaries in the coming year.¹

Medicare Parts A and B:

- The **Medicare Part A** inpatient hospital deductible will be **\$1,736** in 2026, an increase of \$60 from \$1,676 in 2025. The deductible covers beneficiaries' share of costs for the first 60 days of Medicare-covered inpatient hospital care in a benefit period.
- The standard monthly premium for **Medicare Part B** enrollees will be **\$202.90** for 2026, an increase of \$17.90 from \$185.00 in 2025. Medicare Part B covers physicians' services, outpatient hospital services, certain home health services, durable medical equipment, and certain other medical and health services not covered by Medicare Part A.
- Higher-income beneficiaries pay a higher share of Medicare program costs for Part B and Part D plans, in addition to the standard premiums, referred to as the **Income-Related Monthly Adjustment Amount (IRMAA)**, if their taxable income exceeds certain thresholds. Your 2024 income will determine your 2026 IRMAA, with new brackets starting for single filers with a Modified Adjusted Gross Income (MAGI) over \$109,000 and joint filers over \$218,000.

Part D Prescription Drug Plans:

- The annual out-of-pocket spending cap for covered Part D drugs will be **\$2,100** in 2026, up from \$2,000 in 2025.
- The maximum allowable Part D deductible will rise from \$590 for 2025 to **\$615** for 2026.
- Prices for the **first ten prescription drugs negotiated by Medicare** will be effective January 1, 2026. The monthly cost for covered **insulin remains capped at \$35** with no deductible, and recommended **adult vaccines are covered at no cost**.
- Those in the **Medicare Prescription Payment Plan** will be automatically re-enrolled.

To learn more about these and other upcoming changes to Medicare, visit [CMS.gov](https://www.cms.gov).

1) "2026 Medicare Parts A & B Premiums and Deductibles." 14 NOV 2025, CMS.gov, <http://www.cms.gov/newsroom/fact-sheets/2026-medicare-parts-b-premiums-deductibles>.



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