

2026–2027 Planning Priorities

2026 Year-End Estate Planning Advisory

November 19, 2026

Click here for the 2026 Year-End Estate Planning Table of Contents

---

This year's planning season is the first full year under the permanent transfer tax regime of the One Big Beautiful Bill Act (OBBBA). With federal transfer tax exposure reduced for most families, attention has shifted to income tax efficiency, basis, trust flexibility and state-level exposure. At the same time, regulators, courts and state legislatures continued to reshape the rules for beneficial ownership reporting, family entity governance, fiduciary administration and charitable planning. The following summarizes what matters most now and the practical steps to consider before year-end and into 2027.

What Changed: Highlights With Immediate Planning Impact

- **Transfer tax exemptions.** The federal estate, gift and generation-skipping transfer (GST) exemption is $15 million per person for 2026 and will increase with inflation to $15.48 million in 2027. Although the exemption has no scheduled sunset, future legislation could still reduce it. The gift tax annual exclusion remains $19,000 per donee for 2026 and will increase with inflation to $20,000 per donee for 2027. The annual exclusion for gifts to a spouse who is not a US citizen is $194,000 for 2026 and $201,000 for 2027.
- **Charitable and trust deductions.** 2026 is the first year of the 0.5% adjusted gross income (AGI) floor on individual itemized charitable deductions, the new above-the-line charitable deduction for non-itemizers (up to $1,000 for single filers or $2,000 for joint filers) and the 2/37ths reduction in itemized deductions. Because trusts and estates reach the top bracket at $16,500 (in 2027), the reduction may erode their section 642(c) charitable deduction and, read literally, their distribution deductions, pending Internal Revenue Service (IRS) guidance.
- **Beneficial ownership reporting.** In August 2026, the Financial Crimes Enforcement Network (FinCEN) finalized the exemption of US-formed entities and US persons from Corporate

Transparency Act (CTA) reporting, although foreign-formed entities registered in the United States may still have filing obligations. New York's LLC Transparency Act (NY LLCTA) took effect January 1, 2026, with a narrower scope than anticipated, and covered LLCs authorized before 2026 face a December 31, 2026 filing deadline.

- **Family entity governance.** The Delaware Supreme Court upheld the 2025 amendments to section 144 of the Delaware General Corporation Law (DGCL), confirming statutory safe harbors for controller transactions, and Delaware increased its annual taxes on LLCs and limited partnerships.
- **Federal case law.** The Tax Court and the Fifth Circuit continued to police technical compliance: early terminations of qualified terminable interest property (QTIP) trusts can produce large taxable gifts by remainder beneficiaries, family limited partnerships (FLPs) formed near death remain vulnerable under section 2036(a), late estate tax return can forfeit valuable elections and expose an executor-beneficiary to personal liability, and the pending Elcan grantor retained annuity trust (GRAT) dispute underscores that even annuity-payment mechanics may draw IRS scrutiny where a grantor swaps promissory notes into GRATs and then uses those notes to satisfy the GRAT annuity.
- **State developments.** Notable state developments include New York City's new pied-à-terre tax, an Illinois estate tax exemption that remains $4 million after reform efforts stalled again, a new nonjudicial trustee discharge procedure in Florida, Texas voters' approval of constitutional amendments prohibiting future state estate, gift and GST taxes and taxes on capital gains, California voters' rejection of a proposed one-time wealth tax on billionaires (Proposition 40) and California's new virtual representation statute, and North Carolina's narrowing of its fiduciary income tax so that a beneficiary's residence alone no longer triggers tax on a trust's undistributed income.

Planning Priorities for Now

- **Revisit formula bequests.** Formula clauses drafted when exemptions were lower can overfund a credit shelter trust and shrink or eliminate the marital share. Because GST exemption is not portable, relying on portability alone can waste the first spouse's GST exemption.
- **Manage basis.** For clients below the exemption, capturing a basis step-up at death is often more valuable than removing appreciation from the estate. Consider asset swaps with grantor trusts, carefully tailored general powers of appointment and portability paired with QTIP planning.
- **Use the year-end window.** Make 2026 annual exclusion gifts, compare bunching charitable gifts into 2026 with deferring them to 2027 and use the 65-day rule to fine-tune 2026 trust distributions.

- **Match techniques to the rate environment.** Higher section 7520 rates and applicable federal rates (AFRs) raise the hurdle, but GRATs and sales to intentionally defective grantor trusts (IDGTs) remain effective for assets with strong growth prospects. Other techniques actually benefit from higher rates. A qualified personal residence trust (QPRT) produces a smaller taxable gift as the section 7520 rate rises, because the grantor's retained right to use the residence is valued more highly. Similarly, a charitable remainder annuity trust (CRAT) generates a larger charitable deduction, and more easily satisfies the 10% minimum remainder and 5% probability-of-exhaustion tests, when rates are higher.
- **Plan family business transitions early.** As the generational shift of wealth commonly referred to as the "Great Wealth Transfer" accelerates, owners should treat succession and wealth transfer as a single, coordinated plan that begins years before any liquidity event.
- **Confirm entity compliance.** Families with foreign-formed entities or non-US LLCs doing business in New York should confirm their reporting status before year-end, families with North Carolina nonprofit entities should calendar the new annual report requirement, and family businesses should review restrictive covenants under applicable state law.
- **Document and administer with care.** Intrafamily notes, insider transactions with family charities and estate distributions should be documented and administered as arm's-length arrangements to withstand IRS scrutiny.

Conclusion

The first full year under OBBBA's permanent transfer tax regime offers favorable conditions to refine wealth plans for income tax efficiency, basis optimization and intergenerational governance. With federal transfer tax exposure reduced for most families, the right approach blends flexible trust design, carefully controlled entity structures and precise drafting, anchored by a clear view of state-specific exposure and an evolving regulatory and reporting environment. We recommend targeted updates before year-end and a broader review of existing plans in early 2027 to capture these opportunities and reduce future friction. As always, the Katten Private Wealth practice stands ready to assist you with these matters.

2026 Year-End Estate Planning Advisory Table of Contents:

- 2026–2027 Planning Priorities
- Select Updates Impacting Family Business Owners
- The Great Wealth Transfer: Planning Priorities for Families

- Planning Considerations for the Rest of 2026 and Into 2027
- Select Federal Caselaw Updates
- State of the States
- Relevant International Updates

To download a PDF of the entire advisory, click here.

CONTACTS

For more information, contact your Katten attorney or any of these Private Wealth practitioners.



Joshua S. Rubenstein
+1.212.940.7150
joshua.rubenstein@katten.com



Diane B. Burks
+1.704.344.3153
diane.burks@katten.com



Charles Harris
+1.312.902.5213
charles.harris@katten.com



Tye J. Klooster
+1.312.902.5449
tye.klooster@katten.com



David M. Allen
+1.312.902.5260
david.allen@katten.com



Charlotte A. Castillo
+1.312.902.5434
charlotte.castillo@katten.com



Adam M. Damerow
+1.312.902.5250
adam.damerow@katten.com



Brianna Garland
+1.312.902.5242
brianna.garland@katten.com



Stuart E. Grass
+1.312.902.5276
stuart.grass@katten.com



Michael O. Hartz
+1.312.902.5279
michael.hartz@katten.com



Nicholas J. Heuer
+1.312.902.5549
nicholas.heuer@katten.com



Chris S. Hopkins
+1.312.902.5230
chris.hopkins@katten.com

Robert J. Hovey
+1.312.902.5426
robert.hovey@katten.com



Katie Keating
+1.312.902.5407
katie.keating@katten.com

Caitlyn E. Jensen
+1.312.902.5293
caitlyn.jensen@katten.com



Caitlin A. Kelly
+1.312.902.5419
caitlin.kelly@katten.com



Kelli Chase Plotz
+1.312.902.5347
kelli.plotz@katten.com



Michael L. Sherlock
+1.312.902.5643
msherlock@katten.com



Abby Feinman
+1.310.788.4722
abby.feinman@katten.com



Carol A. Johnston
+1.310.788.4505
carol.johnston@katten.com



Avi Pariser
+1.310.788.4514
avi.pariser@katten.com

Megan E. Ricker
+1.310.788.4521
megan.ricker@katten.com



Ronni G. Davidowitz
+1.212.940.7197
ronni.davidowitz@katten.com



Cynthia Reed Altchek
+1.212.940.6710
cynthia.altchek@katten.com



Mal L. Barasch
+1.212.940.8801
mal.barasch@katten.com



Lawrence B. Buttenwieser
+1.212.940.8560
lawrence.buttenwieser@katten.com



Jonathan C. Byer
+1.212.940.6532
jonathan.byer@katten.com



Bonnie Lynn Chmil
+1.212.940.6415
bonnie.chmil@katten.com



Alexandra Copell
+1.212.940.8588
alexandra.copell@katten.com



Marla G. Franzese
+1.212.940.8865
marla.franzese@katten.com



Robert E. Friedman
+1.212.940.8744
robert.friedman@katten.com



Gale R. Helfgott
+1.212.940.6487
gale.helfgott@katten.com



Milton J. Kain
+1.212.940.8750
milton.kain@katten.com



Rebecca H. Lomazow
+1.212.940.6497
rebecca.lomazow@katten.com



Christina N. Romero
+1.212.940.6380
christina.romero@katten.com



Parker F. Taylor
+1.212.940.8668
parker.taylor@katten.com



Andrew B. Toporoff
+1.212.940.6356
andrew.toporoff@katten.com



Emily Tuten
+1.212.940.8617
emily.tuten@katten.com



Kathryn von Matthiessen
+1.212.940.8517
kathryn.vonmatthiessen@katten.com

Attorney advertising. Published as a source of information only. The material contained herein is not to be construed as legal advice or opinion.

©2026 Katten Muchin Rosenman LLP.

All rights reserved. Katten refers to Katten Muchin Rosenman LLP and the affiliated partnership as explained at katten.com/disclaimer.