

What Now? Why The Elections Won't Immediately Change Tax Laws



Many eyes are on the election aftermath seeking clues about what might happen to the tax laws. Of particular interest is the [much-analyzed](#) sunset of the higher estate tax exemption, scheduled for the end of 2025 absent intervening legislation. “Absent intervening legislation” is the key, of course. The November 2024 elections will not immediately change estate tax laws, and it’s a long road from here to there.

For starters, the new Congress will not be sworn in until January 2025, and only after the session begins will Congress initiate the budget reconciliation process which is ultimately required to make tax law changes. The budget reconciliation process typically starts with the President submitting a budget to Congress. Then, both chambers of Congress pass budget resolutions with reconciliation instructions. Then, committees draft legislation to meet the budget targets, and the budget committees consolidate the bills into a single omnibus bill. Then, each chamber votes on its respective omnibus bill.

What all of this means is that the status of the estate tax exemption is still very much up in the air. And this means that financial, tax, and estate planning is going to be difficult for many more months. With the estate tax exemption set to drop from \$13.61 million per person in 2024 to approximately \$7 million per individual on January 1, 2026, a lot is at stake. Should a high-net worth taxpayer start making aggressive gifts now to family members and a donor-advised or other type of fund at the community foundation, anticipating that the sunset will indeed occur? Or take a “wait and see” approach?

Planning is further complicated by the dangers of waiting until the last minute. Not only is it tough to pull off a complex estate plan or business succession plan quickly, but it’s also dicey because the IRS likely will be on the lookout for [situations](#) to invoke the step transaction and reciprocal trust doctrines.

So what can you do? First and foremost, if you are working with charitably-inclined families who would be impacted by the estate tax exemption sunset, please reach out to the Chester County Community Foundation right away to start looking at options. And if you aren’t sure whether a client is charitably inclined, you absolutely must ask them. It’s always important to talk about charitable giving, and especially right now when the stakes are so high.

We look forward to many conversations with you and your clients as estate tax developments unfold!

For more information, contact the Chester County Community Foundation:
Jason Arbacheski, CAP – Gift Planning & Stewardship Director – jason@chescofc.org
Karen Simmons – President/CEO – karen@chescofc.org

The team at the Chester County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.