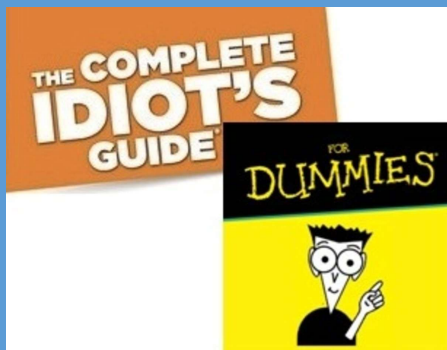


FEDERAL TAX UPDATE

Samuel A. Donaldson
Georgia State University
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Atlanta, Georgia




1



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Date of death	Basic exclusion amount	Date of death	Basic exclusion amount
2011	\$5,000,000	2019	\$11,400,000
2012	\$5,120,000	2020	\$11,580,000
2013	\$5,250,000	2021	\$11,700,000
2014	\$5,340,000	2022	\$12,060,000
2015	\$5,430,000	2023	\$12,920,000
2016	\$5,450,000	2024	\$13,610,000
2017	\$5,490,000	2025	\$13,990,000
2018	\$11,180,000	2026	\$15,000,000



Federal Wealth Transfer Tax Basic Exclusion Amount

3

2026 Federal Income Tax Brackets for Individuals					
Taxable Income Exceeding		Ordinary Income	Adjusted Net Cap Gain* & Qualified Dividends	Medicare Surtax on Earned Income**	Medicare Surtax on Net Investment Income
Single	Married Filing Jointly				
\$0	\$0	10%	0%	2.9%	0%
\$12,400	\$24,800	12%			
\$49,450	\$98,900	22%			
\$50,400	\$100,800	24%			
\$105,700	\$211,400	24%	15%	3.8%	3.8%
<i>AGI over \$200,000</i>	<i>AGI over \$250,000</i>	32%			
\$201,775	\$403,550	32%			
\$256,225	\$512,450	35%			
\$545,500	\$613,700	35%			
\$640,600	\$768,700	37%	20%		

4

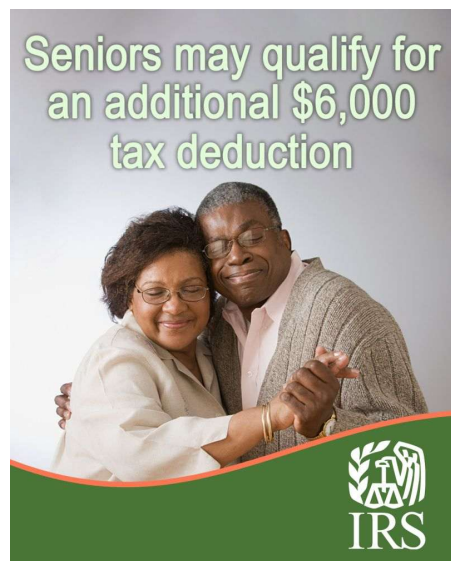
2026 Federal Income Tax Brackets for Trusts & Estates

Taxable Income Exceeding	Ordinary Income	Adjusted Net Cap Gain* & Qualified Dividends	Medicare Surtax on Net Investment Income
\$0	10%	0%	0%
\$3,300	24%	15%	
\$11,700	35%		
\$16,000	37%	20%	3.8%
\$16,250			

5

Temporary Senior Deduction

- Think: Personal exemption for seniors
- Taxpayers **age 65+** on last day of the year may claim a **\$6,000 deduction** (\$12,000 for joint filers if both qualify)
- Effective for **2025 – 2028**
- Phaseout once adjusted gross income > \$75,000 (\$150,000 for joint filers)
- No deduction if adjusted gross income > \$175,000 (\$250,000 for joint filers)
- No deduction for married couples filing separately



6

New Rules for Charitable Contributions



- As of 2026, **non-itemizers** can deduct up to **\$1,000 in cash contributions** (\$2,000 for joint filers)
- As of 2026, **0.5% floor** on donations by **individual itemizers**, with disallowed amounts *maybe* carrying over up to 5 years

7

Understanding the New Overall Limit on Itemized Deductions

- As of 2026, reduce total itemized deductions by lesser of:
 - 2/37 of total itemized deductions, *or*
 - 2/37 of the amount by which (taxable income + total itemized deductions) exceeds 37% bracket threshold
- Applies to individuals and trusts!



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Example of 2026 Charitable Contribution: Individual

- T, an unmarried individual with a 2026 adjusted gross income of \$1,000,000, donates \$105,000 to charity. This is T's only itemized deduction for 2026. Recall the 37% tax bracket for individuals in 2026 starts when taxable income exceeds \$640,600.

- Apply §170(b)(1)(I) 0.5% floor:

Contribution	\$105,000
0.5% of \$1,000,000 contribution base	<u>(\$5,000)</u>
Deduction amount	\$100,000



**DO THE
MATH**

- Apply §68 overall limit on itemized deductions

Lesser of –

(1) 2/37 of \$100,000 itemized deductions	\$5,405
or (2) 2/37 of \$359,400 excess of AGI over \$640,600 threshold	vs. \$19,427

Deduction thus reduced to \$100,000 - \$5,405 = **\$94,595 total deduction**

9

Example of 2026 Charitable Contribution: Trust Taxed as Separate Entity

- A trust treated as a separate entity for federal income tax purposes with a 2026 adjusted gross income of \$1,000,000 donates \$105,000 to charity. This is the trust's only itemized deduction for 2026. Recall the 37% tax bracket for trusts in 2026 starts when taxable income exceeds \$16,000.

- The 0.5% floor does not apply!
- But §68 overall limit on itemized deductions does:

Lesser of –

(1) 2/37 of \$105,000 itemized deductions	\$5,676
or (2) 2/37 of \$984,000 excess of AGI over \$16,000 threshold	vs. \$53,190



**DO THE
MATH**

Deduction thus reduced to \$105,000 - \$5,676 = **\$99,324 total deduction**

10

Bunching Example

BUNCHING
is
the
new **BLACK**

- Donor, an individual with an adjusted gross income of \$500,000, annually donates \$20,000 to Charity.
- If Donor continues this practice over the next 3 years, each donation is subject to the 0.5% floor.
- But if Donor gives \$60,000 in one year, only one 0.5% bite applies.

ANNUAL GIFTS		BUNCHED GIFT	
2026	\$20,000 - \$1,081 = \$18,919	2026	\$60,000 - \$1,081 = \$58,919
2027	\$20,000 - \$1,081 = \$18,919	2027	
2028	\$20,000 - \$1,081 = \$18,919	2028	
TOTAL	\$56,757	TOTAL	\$58,919

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Charitable Contribution Strategies



STANDARD DEDUCTION TAXPAYERS

- Prioritize cash contributions

ITEMIZING TAXPAYERS

- Consider bunching contributions
- Run numbers on gifts through trusts

QUALIFIED CHARITABLE DISTRIBUTIONS

12

Understanding the OB3 Act Gambling Expenses and Losses



Pre-2018

- Wagering losses limited to wagering gains
- Business expenses of professional gamblers deductible

2018 - 2025

- Wagering losses limited to wagering gains
- Business expenses of professional gamblers treated as wagering losses

2026 – forward

- **90% of wagering losses** deductible, but only to extent of wagering gains
- Business expenses of professional gamblers treated as wagering losses

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Deduction for Personal SALT



Deduction limit temporarily increased

Year	Personal SALT Deduction Cap
2025	\$40,000
2026	\$40,400
2027	\$40,804
2028	\$41,212
2029	\$41,624
2030 and later	\$10,000

Limit reduced by 30% of (AGI – “threshold amount”)

(\$10,000 minimum)

Year	“Threshold Amount”
2025	\$500,000
2026	\$505,000
2027	\$510,050
2028	\$515,151
2029	\$520,302

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TRUMP ACCOUNTS



- Think: Traditional IRAs created for kids under age 18
- Contributions (which can start July 4, 2026) up to \$5,000 per year (adjusted for inflation as of 2028)
 - Must be made in calendar year (no retroactivity)
 - Employer-made contributions excludable up to \$2,500
- “Contribution pilot program” will fund account with \$1,000 for kids born in 2025 – 2028
- Funds must be invested in low-cost index fund
- No distributions until age 18
- Distributions after age 18 treated like regular IRA

15

Strategies for Giving to Kids



QUALIFIED TUITION PLANS

- Can make 5 years of annual exclusion gifts at once
- Withdrawals can be tax-free

2503(c) TRUSTS

- Contributions qualify for annual exclusion
- Child has access at age 21, but no penalty
- Distributions during childhood allowed

16

Deduction for Qualified Tips



- Individuals can **deduct up to \$25,000** in “qualified tips” received in jobs listed by IRS as those where tipping was customary and regular
- Effective for **2025 – 2028**
- Phaseout once adjusted gross income > \$150,000 (\$300,000 joint)
- Deduction available to both itemizers and non-itemizers, but “**below the line**”
- “Qualified tips” = voluntary cash or credit card tips received from customers or through tip sharing
- No deduction for tips in specified service businesses
- No deduction for married filing separately

17

New Business Tax Rules



- §179 expense limit increased to \$2.56 million in 2026
- §168(k) bonus depreciation at 100% for property acquired after January 19, 2025
- §1202 stock exclusion

For qualified small business stock acquired:	The amount of gain excluded under §1202 is:
On or before February 17, 2009	50% if held 5+ years
After February 17, 2009, but before September 28, 2010	75% if held 5+ years
After September 27, 2010, but before July 4, 2025	100% if held 5+ years
On or after July 4, 2025	50% if held 3 years 75% if held 4 years 100% if held 5+ years

18

The Charitable LLC Strikes Out FSA 20260401F (Jan 23, 2026)

THE PLAN

- Put investment assets in LLC
- Transfer nonvoting LLC interests to charity (take deduction!)
 - Charity gets mandatory distributions of specified amounts
 - Limited transfer rights
- Allocate most of the LLC's income to the charity (no tax paid on this income!)




19

Estate of Rowland v. Commissioner T.C. Memo. 2025-76 (July 15, 2025)

****Filed pursuant to Rev. Proc. 2022-32 to elect portability under Sec. 2010(c)(5)(A)****

Form 706 (Rev. August 2019) Department of the Treasury Internal Revenue Service		United States Estate (and Generation-Skipping Transfer) Tax Return ▶ Estate of a citizen or resident of the United States (see instructions). To be filed for decedents dying after December 31, 2018. ▶ Go to www.irs.gov/Form706 for instructions and the latest information.			OMB No. 1545-0015
Decedent and Executor	1a Decedent's first name and middle initial (and maiden name, if any)	1b Decedent's last name		2 Decedent's social security no.	
	Tom B.	Jones		123 45 6789	
	3a City, town, or post office; county; state or province; country; and ZIP or foreign postal code	3b Year domicile established	4 Date of birth	5 Date of death	
	Fairfax County, Virginia 22040	1961	4/5/1961	7/4/2021	
	6a Name of executor (see instructions)	6b Executor's address (number and street including apartment or suite no.; city, town, or post office; state or province; country; and ZIP or foreign postal code) and phone no.			
Mary H. Jones	123 Easy Street Falls Church, VA 22040				
6c Executor's social security number (see instructions)	Phone no.				
	987	65	4321		

20



Do limited partners owe self-employment tax?

YES: *Soroban Capital Partners LP* (Tax Court 2025)

NO: *Sirius Solutions, LLLP v. Commissioner* (5th Cir. Jan. 16, 2026)

Excerpt from §1402(a):

The term “net earnings from self-employment” means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702(a)(8) from any trade or business carried on by a partnership of which he is a member...

(13) there shall be excluded the distributive share of any item of income or loss of **a limited partner, as such**, other than guaranteed payments described in section 707(c) to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services;

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FBAR Cases

→ Right to jury before the IRS imposes penalty (*Sagoo*, N.D. Tex., Sep 19, 2025; *Schwarzbaum*, S.D. Fla., Mar 16, 2026)

→ Penalties subject to Excessive Fines Clause (*Saydam*, N.D. Cal., Nov 18, 2025)

→ Tax Court lacks jurisdiction (*Jenner*, 11th Cir., Dec 8, 2025)

→ Reckless failure to file triggers higher penalty (*Reyes*, 2d Cir., Jan 7, 2026)



TD F 90-22.1
REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS

Do NOT file with your Federal Tax Return

Part I. Filer Information

2. Type of Filer: Individual Partnership Corporation Consolidated Fiduciary or Other—Enter type

3. U.S. Taxpayer Identification Number: Foreign identification (Complete only if item 3 is not applicable)

4. Type: Passport Other

5. Individual's Date of Birth: MM/DD/YYYY

6. Last Name or Organization Name: 7. First Name: 8. Middle Initial:

9. Address (Number, Street, and Apt. or Suite No.):

10. City: 11. State: 12. Zip/Postal Code: 13. Country:

14. Does the filer have a financial interest in 25 or more financial accounts?
 Yes (If "Yes" enter total number of accounts) No
(If "Yes" is checked, do not complete Part II or Part III, but retain records of this information)

Part II. Information on Financial Account(s) Owned Separately

15. Maximum value of account during calendar year reported: 16. Type of account: Bank Securities Other—Enter type below

17. Name of Financial Institution in which account is held:

18. Account number or other designation: 19. Mailing Address (Number, Street, Suite Number) of financial institution in which account is held:

20. City: 21. State, if known: 22. Zip/Postal Code, if known: 23. Country:

22

Charitable Contribution Cases of Note

- ***Barney v. Commissioner*** (T.C., Dec 30): Bargain sale to charity yielded \$33 million deduction, not \$132.4 million
- ***Glade Creek Partners, LLC v. Commissioner*** (11th Cir., Jun 6): Deduction for conservation easement on land that is inventory limited to basis (\$3.86 million), not its value (\$8.9 million) or amount deducted (\$17.5 million)



23

§6324(a)(2)

United States v. Karst
D. Kan. February 27, 2026

(2) LIABILITY OF TRANSFEREES AND OTHERS

If the estate tax imposed by chapter 11 is not paid when due, then the spouse, transferee, trustee (except the trustee of an employees' trust which meets the requirements of section 401(a)), surviving tenant, person in possession of the property by reason of the exercise, nonexercise, or release of a power of appointment, or beneficiary, who receives, or has on the date of the decedent's death, property included in the gross estate under sections 2034 to 2042, inclusive, to the extent of the value, at the time of the decedent's death, of such property, shall be personally liable for such tax. Any part of such property transferred by (or transferred by a transferee of) such spouse, transferee, trustee, surviving tenant, person in possession, or beneficiary, to a purchaser or holder of a security interest shall be divested of the lien provided in paragraph (1) and a like lien shall then attach to all the property of such spouse, transferee, trustee, surviving tenant, person in possession, or beneficiary, or transferee of any such person, except any part transferred to a purchaser or a holder of a security interest.

(d) EXTENSIONS OF TIME FOR PAYMENT OF ESTATE TAX

The running of the period of limitation for collection of any tax imposed by chapter 11 shall be suspended for the period of any extension of time for payment granted under the provisions of section 6161(a)(2) or (b)(2) or under the provisions of section 6163 or 6166.

§6503(d)

24

Estate of Spenlinhauer v. Commissioner
T.C. Memo. 2025-134 (December 30, 2025)

- Decedent died in 2005
- Estate tax return filed in 2017
- Lots of Issues
 - Alternate valuation date election
 - Qualified conservation easement exclusion
 - Value of real property
 - Inclusion of home
 - Taxable gifts
 - Estate expenses
 - Filing fee

**IGOT99
PROBLEMS
& I CAUSED
ALLOF THEM**

25

Farber v. Feldman
E.D. Pa., September 4, 2025



Assets exempt from the bankruptcy estate include “Retirement funds to the extent those funds are in a fund or account that is exempt from taxation under ... [IRC] §401, 403, 408, 408A, 414, 457, or 501(a).” 11 U.S.C. §522(d)(12).

Inherited IRAs are not “retirement funds” per *Clark v. Rameker*, 573 U.S. 122 (2014)

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