

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

INCREASED DEATH TAX EXEMPTION

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TOPLINE: The One Big Beautiful Bill (OBBB) increased the amount of assets that are exempt from the 40% Death Tax from about \$7 million to \$15 million.

BACKGROUND: Death Tax is a more descriptive name that encompasses the Estate Tax and the Gift Tax. The Estate Tax is imposed on assets that are handed down at death (applied to the deceased's estate). The Gift Tax, on the other hand, applies to assets that one gifts to others throughout one's life. The tax rate for the Death Tax is 40%, except for the first \$1 million of taxable estates and/or lifetime gifts (above the exemption). For the first \$1 million of non-exempt transfers, tax rates ramp up from 18% to 40%.

Prior to the 2017 Tax Cuts and Jobs Act (TCJA), the Death Tax exemption amount was about \$5 million and adjusted annually for inflation. TCJA doubled the exemption, so that by 2025 the exemption was roughly \$14 million including inflation adjustments, but that change would have expired and reverted to \$7 million on January 1, 2026.

What OBBB Did:

- Prevented the Death Tax exemption amount from being cut in half from roughly \$14 million to \$7 million when TCJA was scheduled to expire at the end of 2025.
- Further increased the Death Tax exemption amount to \$15 million, effective January 1, 2026.

Why It Matters?

- After a lifetime of paying taxes, death shouldn't be one last taxable event.
- The Death Tax is a barrier to building intergenerational wealth and is incompatible with the principle of private property rights.
- Because family farms and businesses aren't easily divisible, the Death Tax forces some to sell off businesses instead of leaving a legacy to kids and grandkids.
- The federal government raises only about 0.6% of its revenue from the Death Tax, even before considering the lost revenue from the economic harm it causes.
- Death Tax revenues were 40+% higher within 5 years of TCJA doubling the exemption.
- If TCJA had expired, Americans would have faced a roughly \$200 billion Death Tax increase over nine years.

Where Can I Find the Changes? OBBB Section 70106; 26 U.S.C. § 2010(c).

BOTTOMLINE: The Death Tax isn't just economically harmful, it's immoral. Congress should repeal the Death Tax or at least reduce the punitive 40% tax rate. Congress should be applauded for increasing the Death Tax exemption in OBBB.

