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of the TCJA are set to expire at the end of 2025.

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The Tax Cuts and Jobs Act (TCJA) of 2017 is currently scheduled to sunset at the end of 2025, meaning significant changes are on the horizon for taxpayers. Now is the time to understand those implications and consider strategies to help mitigate the potential tax risks—and this article can help you get started.

TCJA brought sweeping changes to the tax code for both businesses and individuals.

Barring any action on the part of Congress, the window is quickly closing on several of the tax mitigation benefits afforded by the TCJA. Certainly, there remains time to reach an agreement that would extend at least some of these provisions. But through continued political tension and the general unsteadiness of global economies (including the U.S.), this may be an opportune time to explore some of the following strategies.

Estate and gift tax considerations

As of 2023, individuals can currently transfer up to $12.92 million, and a married couple can transfer a total of up to $25.84 million (either during your life or as part of your estate) without triggering federal gift taxes or estate taxes. If no legislative action is taken, however, that historically high exemption amount will be cut in half for the 2026 tax year. As a result, if your taxable estate exceeds the existing exemption amount, some estate planning strategies that may prove beneficial to explore include:

- **Annual cash gifts.** You are permitted to gift up to $17,000 a year ($34,000 for married couples filing jointly) to as many individuals as you wish. These annual gifts aren't subject to taxes and don't count against your lifetime exemption. If you have a large extended family, this can offer an easy way to transfer considerable wealth to the next generation.
- **529 plan accelerated gifts.** Current tax law allows you to accelerate five years of gifts to educational accounts for your children and grandchildren (as well as any other friends or relatives). This means you could gift up to $85,000 in a single year ($170,000 for a married couple) to each individual. It's an ideal way to help them save for future qualified educational expenses (where the funds grow tax-free) while reducing your taxable estate.

- **Dynasty trusts.** If you haven't yet used a major chunk of your lifetime gift and

income that's also considered tax-free.

Income and capital gains tax considerations

Since income tax brackets are also slated to revert back to pre-TCJA levels (e.g., the top tax bracket increasing to 39.6% from its current 37%), many wealthier taxpayers can expect a measurable increase in their effective tax rate. In light of this, you may wish to explore opportunities to accelerate income when and where possible over the next couple years to take advantage of the lower brackets, including:

- **Converting a traditional IRA to a Roth IRA.** Whereas required minimum distributions (RMDs) from traditional IRAs start at age 72 (see note below), taxed as ordinary income and subject to a 10% penalty prior to age 59½, Roth IRAs have no RMDs, and all future growth and distributions are tax-free. By converting your traditional IRA to a Roth before 2026, you pay the income tax liability upfront (potentially at a lower tax rate) rather than at the time of distribution.
- **Harvesting capital gains.** If you anticipate potentially higher capital gains tax rates in the future, you may want to consider selling some of your highly appreciated securities prior to the expiration of the TCJA. While such sales would produce a taxable gain, it may be less than at some point in the future. And since wash sale rules only apply to harvesting losses (not gains), you could then turn around and repurchase the same securities at a stepped-up cost basis to help reduce future recognized gains while still retaining the investment.

Putting an effective plan in place

While none of us knows what the future holds, as with any form of planning, the more time you have to prepare, the more options you'll have available to you.

Proper diversification of your assets is regarded as the primary tool for reducing risk

RMDs to age 73. According to the IRS, if you reach age 72 in 2023, the required beginning date for your first RMD is April 1, 2025, for 2024. If you reach age 73 in 2023, you were 72 in 2022 and subject to the age 72 RMD rule in effect for 2022. If you reached age 72 in 2022:

- *Your first RMD was due by April 1, 2023, based on your account balance on Dec. 31, 2021.*
- *Your second RMD is due by Dec. 31, 2023, based on your account balance on Dec. 31, 2022.*

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