



## Planning for Estate Taxes Begins With?

By David R. Okrent, Esq., CPA

**P**lanning for estate taxes begins with the applicable Federal Estate, Gift, and Generation-Skipping Transfer Tax Basic Exclusion Amount—\$15,000,000 in 2026—and the relevant state estate tax regime, which for purposes of this article will be New York’s estate tax and its disappearing Basic Exclusion Amount of \$7,350,000 in 2026, commonly referred to as the “cliff.” The analysis usually addresses three core questions: (1) the potential for estate tax exposure and how it compares to any income-tax benefit from a date of death basis adjustment for assets included in the Federal Taxable Estate (the so-called “step-up,” which may also be a step-down), (2) whether there are tax-efficient strategies to reduce the estate tax burden, and (3) techniques to freeze asset values so future appreciation does not increase the taxable estate. I will focus primarily on New York, since the concepts are similar for Federal Law, and I can discuss some New York nuances including the 3 year look back.


The first step then is the comparison of estate tax to the income tax savings, if any, from a death value adjustment for assets includable in the Federal Taxable Estate (commonly called “step up in basis”). Although commonly referred to as a “step-up in basis,” the adjustment may also be a step-down where the value of the assets is less than decedent’s “basis”), it is lost entirely for assets gifted during lifetime, and for those not included in the Federal Taxable Estate. NY’s 3 year look-back complicates this analysis: gifts completed within 3 years of death are pulled back into the NY Taxable Estate for estate-tax purposes but do not receive a

date-of-death basis, since generally they are not included in the Federal Taxable Estate creating a mismatch that requires careful planning.

Once the estate tax and basis planning analysis is complete, attention turns to strategies reducing and/or freezing the estate tax exposure. Annual exclusion gifts (i.e., \$19,000 per donee in 2026, or double for married) remain a straightforward technique, often best implemented through trusts providing asset protection, tax planning flexibility, and maybe multigenerational benefits. In some cases, accelerating income by liquidating retirement type assets can reduce the estate by eliminating the embedded income tax liability to be passed on and subject to an estate tax. Charitable giving, whether during life or at death, continues to be an effective tool for reducing the taxable estate. Owners of closely held businesses may consider recapitalizing into non-voting or limited-authority interests, which can support valuation discounts and facilitate transfers to family members or trusts. Spousal lifetime access trusts can remove substantial value from the estate while preserving indirect access through the spouse. Grantor trusts (in particular, intentionally defective grantor trusts) allow the grantor to pay the trust’s income taxes, effectively transferring value to beneficiaries free of gift and estate tax, and can also serve as vehicles for sales of appreciating assets in exchange for low-interest notes. Taxpayers who have already used their lifetime exclusion may still benefit from annual inflation adjustments that increase the available exclusion each year. When transferring hard-to-value assets,

defined-value clauses can help manage valuation uncertainty. Across all techniques, the objective are reduce estate tax and/or shift future appreciation out of the taxable estate while coordinating income-tax, valuation, and cash-flow considerations.

Effective estate tax planning requires balancing estate tax exposure, income tax consequences, valuation considerations, and the practical needs of the family. The most successful strategies are those implemented early, coordinated across both lifetime and testamentary planning, and tailored to the client’s asset mix and long term objectives. By combining thoughtful basis management with well structured transfers, trusts, and valuation focused techniques, practitioners can meaningfully reduce or freeze future estate tax liability while preserving flexibility and control.

The result is a plan that is both tax efficient and durable across generations. 



*David R. Okrent, Esq., CPA*

David R. Okrent is the managing attorney for the Law Offices of David R. Okrent with over 39 years of experience. He is a CPA, attorney and a former IRS Agent. He has served on many boards and currently serves on the Executive Committee of N.Y. State Bar Association Elder Law Section, as a Board member of NY NAELA, and as a Member of the NYS statutory Coordinating Council for Alzheimer’s & Dementia.