

CALLAN

FAMILY OFFICE

Tax Policy Jenga: What the Election Could Mean for Your Taxes

Tax Alert | November 5, 2026

Anyone who has played Jenga knows that the first few moves are easy. Players pull wooden blocks from a tower, stack them on top, and congratulate themselves on their steady hands. As the game progresses, the tower becomes increasingly precarious, but somehow it keeps standing. Eventually, someone removes a seemingly harmless block, and the entire structure collapses across the table. Usually onto someone's drink.

The tower rarely falls because of one reckless move. Each preceding decision changes its balance, gradually reducing the margin for error. Yet as long as it remains standing, players are tempted to assume the next move will work out just as well. By the time the danger becomes obvious, their options have become limited.



Tax planning presents a similar challenge. Changes in legislation, asset values, business circumstances, and family objectives accumulate over time. Strategies that worked well years ago may become less effective, while new opportunities emerge. But when nothing forces an immediate decision, doing nothing can feel like the safest choice.

Yesterday's midterm elections add another layer of uncertainty. Democrats won control of Congress and made gains in state governments, but federal tax law remains unchanged. Whether the results ultimately lead to substantial tax reform remains uncertain. Unlike Jenga, however, thoughtful planning can strengthen existing arrangements, take advantage of current opportunities, and preserve flexibility for future changes. The election may be a reason to examine the structure before the next move becomes unavoidable.

Short Term: What We Know and Can Act On Today

Federal tax law has not changed. The new Congress takes office in January 2027, while President Trump remains in office through January 2029. Significant federal tax increases will therefore face substantial legislative obstacles, including a potential presidential veto.

The One Big Beautiful Bill Act (OBBBA), enacted in July 2025, made permanent several important tax benefits, including the increased estate and gift tax exemption, the Section 199A qualified business income deduction, and expanded business expensing provisions. It also enhanced the qualified small business stock (QSBS) exclusion under Section 1202. However, permanent does not mean irreversible, and a future Congress could modify these provisions.

This makes the present an appropriate time to review existing arrangements and determine whether opportunities under current law warrant action. Families holding appreciating businesses or investments may benefit from evaluating gifts, sales to grantor trusts, or other estate freezes. Business owners considering a sale or recapitalization should examine pre-sale transfers, charitable strategies, installment sales, and QSBS planning before transaction terms become fixed.

© 2026 Callan Family Office

An entrepreneur holding qualifying stock, for example, might evaluate transferring shares to properly structured non-grantor trusts, potentially allowing separate taxpayers to utilize available Section 1202 exclusions, subject to applicable rules. These opportunities exist today, regardless of future legislation, but may become less attractive or unavailable as assets appreciate or transactions advance.

Medium Term: A Changing Legislative Environment

Beginning in 2027, Democrats will control the congressional tax-writing committees, allowing them to establish priorities, conduct investigations, and develop proposals affecting wealthy individuals, businesses, and investment income. Although major federal tax reform faces substantial obstacles before 2029, the next two years could establish the framework for future changes. Tax legislation could also become part of broader negotiations, with the president potentially accepting provisions he might otherwise oppose in exchange for concessions on other policy priorities.

Congressional proposals have already targeted grantor trusts, grantor retained annuity trusts (GRATs), and other wealth transfer techniques. Other proposals contemplate higher capital gains rates, changes to the treatment of appreciated assets at death, and increased taxation of certain business and investment income. Families should assess how these possibilities could affect existing plans and whether contemplated transactions merit implementation under current law.

Partnerships and family investment structures also warrant review. Changes to carried interest, basis adjustments, and related-party transactions could affect existing arrangements. At the same time, current partnership rules may offer opportunities to improve loss utilization, manage tax basis, transfer future appreciation, and coordinate investment ownership with estate planning objectives.

State taxation may present more immediate concerns. Changes in legislative control and governorships could create opportunities for new legislation affecting income taxes, capital gains, and estate or inheritance taxes. Families with multistate connections should review residency, trust administration, and investment ownership structures rather than waiting for a specific tax increase.

For example, a properly structured non-grantor trust in Delaware, Nevada, or South Dakota may reduce state income taxes on certain investment income or capital gains. Existing trusts may also benefit from changes in trustees, administration, or situs. For business owners anticipating a sale, evaluating these alternatives sufficiently early can be particularly important because the opportunity may disappear once a transaction becomes effectively certain.

Long Term: Preparing for What We Cannot Predict

The longer-term implications will depend heavily on the 2028 presidential and congressional elections. If a future administration and Congress share an agenda favoring increased taxation of investment income and accumulated wealth, more substantial changes could become possible.

These might include higher capital gains and corporate tax rates, reduced estate tax exemptions, restrictions on grantor trusts, or changes to the treatment of appreciated assets at death. Proposals involving wealth taxes or minimum taxes on certain high-income households could also receive renewed consideration.

© 2026 Callan Family Office

Modern tax-aware portfolios are not automatically equivalent to the transactions those rules were designed to address. They may involve genuine diversification, real long and short exposures, actual market risk, and thousands of bona fide purchases and sales. Those facts matter enormously, but sophisticated portfolio technology does not by itself answer the tax question.

The implications could extend beyond tax rates to the rules governing income recognition, asset valuation, and intergenerational wealth transfers. Families should evaluate how alternative tax scenarios might affect their existing structures and identify strategies that provide benefits under current law without unnecessarily limiting future options.

The Bigger Question: Is It Time to Make a Move?

The election does not necessarily warrant wholesale changes to existing financial, investment, or estate plans. It does, however, provide a reason to reconsider decisions that have been deferred, particularly where waiting may reduce opportunities available under current law.

For a business owner, this could mean taking a company to market, exploring a recapitalization, or preparing for an ownership transition. For a family with appreciating assets, it might mean implementing an estate freeze, transferring interests to trusts, or restructuring investment ownership. Others may benefit from out-of-state trust planning, residency changes, or more sophisticated partnership structures designed to improve income tax efficiency through loss utilization, basis planning, and coordinated investment management.

These decisions should be made with an eye toward potential tax changes, but also within the context of broader business, investment, and family objectives. The goal is to identify opportunities that provide benefits under current law while preserving flexibility as circumstances evolve. For some, a review may confirm that existing plans remain appropriate. For others, it may reveal that strategies postponed for years now deserve serious consideration.

Looking Ahead

The challenge in Jenga is that every successful move makes it easier to believe the tower will keep standing. Yet the structure changes with each turn, even when nothing appears to happen. Existing tax arrangements can create a similar sense of complacency as laws, asset values, and family circumstances evolve.

The election may ultimately produce significant tax changes, or its impact on a particular family or business may be modest. But waiting for certainty is not without risk. Opportunities available today can disappear as legislation changes, assets appreciate, or transactions advance. Now is the time to take a fresh look at existing plans, challenge assumptions, and determine where action could create meaningful value. The objective is not to predict which block will bring down the tower, but to strengthen the structure before the next move becomes unavoidable.

© 2026 Callan Family Office

For more information visit us at:
www.callanfo.com

Callan Family Office (CFO) is the exclusive trademark licensee of Callan LLC. Callan LLC provides products and services to CFO. Clients of CFO are not clients of Callan LLC, and the parties are not affiliated. CALLAN, CFO and the other Callan trademarks and service marks are registered and/or unregistered trademarks of Callan LLC and may not be used without its permission. INVESTMENT ADVISORY SERVICES AND PRODUCTS PROVIDED TO CLIENTS OF CFO ARE PROVIDED SOLELY BY CFO AND NOT BY OR ON BEHALF OF CALLAN LLC. REPRESENTATIVES OF CFO ARE EMPLOYEES AND AGENTS OF CFO AND NOT EMPLOYEES OR AGENTS OF CALLAN LLC.

This document contains general information that is not suitable for everyone and was prepared for informational purposes only. Nothing contained herein should be construed as a solicitation to buy or sell any security or as an offer to provide investment advice. The information contained herein is based upon certain assumptions, theories and principles that do not completely or accurately reflect any one client situation or a whole exposition of the topic. All opinions or views reflect the judgment of CFO as of the publication date and are subject to change without notice. CFO does not make any representations as to the accuracy, timeliness, suitability or completeness of any information prepared by any unaffiliated third party. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. CFO does not provide tax or legal advice. You should contact your tax advisor, accountant and/or attorney before making any decisions with tax or legal implications. All information is provided solely for convenience purposes and all users thereof should be guided accordingly.

© 2026 Callan Family Office

CALLAN

FAMILY OFFICE

Info@CallanFO.com

CallanFamilyOffice.com