

If you're sorting through estate planning or preparing to file Form 706 for a high-net-worth estate in 2026, you've probably heard the number **\$15 million estate tax exemption** tossed around but want to know the details. Is it still \$15 million? What about the 40% estate tax rate? How do valuations for illiquid assets like art interact with the IRS requirements? And what exactly does *IRC 2010(c)* have to say about portability and other factors? In this post, we'll clarify these core concepts and timelines, with a keen eye on **art and collectibles** — because reviewing real-world appraisal and filing logistics showed me just how crucial these details are.

2026 Estate Tax Exemption: What's the Official Number?

First things first: The estate tax exemption is the amount up to which an estate's value can pass free of federal estate tax. Above that threshold, the estate pays a 40% tax on the excess. The Treasury and Congress have adjusted this exemption over recent years, notably through the Tax Cuts and Jobs Act (TCJA), with a sunset effect scheduled after 2025.

2024-2026 Estate Tax Exemption and Rates Overview

Year	Estate Tax Exemption	Estate Tax Rate	Note
2024	\$13.61 million	40%	Indexed for inflation (approximate)
2025	\$14.48 million	40%	Indexed for inflation
2026	~\$15.0 million	40%	Projected Inflation Adjustment (subject to final IRS bulletin)

**This number is an estimate based on historical inflation indexing and IRS guidelines. Taxpayers should always consult updated IRS notices or Treasury regulations as the filing year approaches.*

IRC Section 2010(c) governs the unified estate and gift tax exemption. It also covers portability — the ability of a surviving spouse to use any unused exemption of the decedent spouse, potentially doubling the effective exemption for a married couple. Portability must be elected on a timely filed Form 706.

Understanding Fair Market Value and Date-of-Death Valuation

Every estate subject to tax files IRS Form 706, and one of the most critical line items on that form is the *fair market value (FMV)* of all property owned at the date of death. For most assets, FMV is relatively straightforward — marketable securities often have readily available prices at closing. But what about illiquid assets, especially art and collectibles, real estate, interests in private businesses, or unique family heirlooms?

The IRS defines fair market value as the price at which property would change hands between a willing buyer and seller, with both having reasonable knowledge and not under compulsion, as of the date of death.

Importance of Date-of-Death Valuation

- **Relevant valuation date:** Property is generally valued as of the date of death unless the executor elects an alternate valuation date six months later, per IRC rules.
- **Special challenges with illiquid art:** Market conditions may be less transparent, and sale timelines longer, which poses a challenge in establishing FMV.
- **Documentation:** Lenders and IRS examiners scrutinize valuations for high-value, unique items carefully.

Qualified Appraisals and Their Role in 2026 Form 706 Filings

For tangible personal property valued above \$3,000, a *qualified appraisal under oath* is mandatory. Art estates often far exceed this threshold, so the appraisal is not just recommended — it's a filing requirement.

What Is a Qualified Appraisal Under Oath?

- Performed by a qualified appraiser, who must meet professional standards and have expertise in the type of property being valued.
- The appraiser signs a statement under oath, attesting to the appraisal's accuracy and compliance with IRS standards.
- This helps minimize disputes or audits related to undervalued property.

For estate executors dealing with artworks, it's critical to hire appraisers familiar with IRS Form 706 contexts. A "discounted" estate appraisal not supported by sound methodology or proper documentation risks IRS adjustment and penalty.

The IRS Art Appraisal Services Unit and the Commissioner's Art Advisory Panel

Given how subjective high-value art valuations can be, the IRS established specialized resources to evaluate them:



- **IRS Art Appraisal Services Unit:** This team reviews appraisals submitted with Form 706 and may request additional information or challenge values.
- **Commissioner's Art Advisory Panel (CAAP):** A group of professional appraisers with art expertise who assist IRS officials by reviewing expert appraisals in complex cases.

The presence of these dedicated resources means estate planners and executors must be meticulous with appraisal integrity. The IRS is well-equipped to spot inconsistencies, exaggerated depreciation claims, or unsupported valuations on valuable art.

Navigating the Nine-Month Form 706 Filing and Payment Timeline

The IRS requires that Form 706 be filed within nine months of the decedent's death. Extensions may be granted, but crucially, the estate tax payment is generally due on <https://fineartshippers.com/what-the-estate-tax-means-for-an-inherited-art-collection/> that same nine-month deadline — regardless of whether the estate has sold illiquid assets like art to cover the tax bill.

Why This Matters For Estates Holding Illiquid Art

- **Cash flow tension:** Unlike stocks or cash savings, art doesn't sell overnight at full FMV, and selling quickly may mean steep discounts or auction delays.
- **Potential solutions:** Executors may arrange loans or liquidity financing, pre-sale consignment, or partial sales prior to death.
- **Penalties risk:** Late payment penalties or interest can accrue if taxes are not timely paid.

In short: Plan carefully for liquidity to meet the nine-month federal deadline and have all appraisals and documentation ready on time.



Summary Checklist: 2026 Estate Tax Planning for Art Holders

1. **Know the exemption:** Approximately \$15 million for 2026, with a 40% tax rate on estates exceeding that.
2. **Use IRC 2010(c) portability election:** File Form 706 even if below exemption to preserve unused spousal exemption.
3. **Obtain qualified appraisals:** Require a qualified appraisal under oath for all art and collectibles valued above \$3,000.
4. **Coordinate appraisal timing:** Ensure appraisals reflect date-of-death FMV or 6-month alternate valuation date if elected.
5. **Prepare for IRS scrutiny:** Document provenance, sales comps, and appraisal methodologies, expecting IRS Art Appraisal Services Unit review.
6. **Plan liquidity to cover tax:** The nine-month Form 706 filing and payment deadline does not extend for asset sales timing.
7. **Consult specialists:** Estate tax attorneys, appraisers with Form 706 experience, and CPA advisors versed in art estate taxation.

Final Thoughts

The 2026 estate tax exemption hovers near \$15 million — close enough that estates around this level must prepare meticulously. For estates holding significant art or other illiquid assets, valuation under IRS standards and timing of tax payments present unique challenges. With high IRS scrutiny through specialized appraisal units and

advisory panels, professional, well-documented appraisals and careful cash flow management become non-negotiable.

If you're the executor or a planner facing these issues, don't settle for vague advice to "talk to an expert" without specific questions. Ask your appraiser about their experience with Form 706's qualified appraisal under oath requirements. Request examples of comparable works they used, and confirm they understand the IRS's Commissioner's Art Advisory Panel expectations. Demand a realistic timeline for art sales to cover tax payments due within nine months. These specifics can save you from unexpected audit adjustments or cash flow crises.

Understanding the intersecting rules detailed in **IRC 2010(c)** and IRS appraisal guidelines forms the backbone of smart estate tax planning in 2026 and beyond.

Written by a former museum collections coordinator turned estate-planning content writer with 11 years of interviewing CPAs, appraisers, and art shippers about real-world estate logistics.