



LIFE & LEGACY



New Tax Law Update: Could Your Florida Trust Be Taxed Twice?

Dedra Sibley, Personal Family Lawyer®

A client recently forwarded an article with a simple question: “Does this affect our trust?”

It’s a thoughtful question—and one many families across Central Florida are now asking.

Recent changes in federal tax law introduced a provision that, while not widely discussed, could affect how certain trusts are taxed. For families who have created trusts to care for a spouse, support a child, or preserve assets for the next generation, it’s worth taking a closer look.

The Headline—and What Wasn’t

Much of the attention around the new law has focused on the increase in the federal estate tax exemption. Beginning in 2026, that exemption rises to \$15 million per person, or \$30 million for married couples. For some families, that’s welcome news. However, another provision—less visible but potentially more far-reaching—was

included in the same legislation. This rule imposes a limitation on certain tax deductions and may now apply to trusts and estates.

Why This Matters for Everyday Family Trusts

Unlike individuals, trusts reach the highest federal income tax bracket at relatively low income levels. In 2026, a trust may reach the top bracket at approximately \$16,000 in taxable income. That means even a modest trust—one created to provide steady support for a spouse or child—could be affected by this new limitation.

Traditionally, when a trust distributes income to a beneficiary, that income is taxed once at the beneficiary’s level. The trust itself receives a deduction for the distribution.

Under the new rule, that deduction may be limited.

In certain situations, this could result in part of the trust’s income being taxed at the trust level, even though the beneficiary is also paying tax on what they receive.

A Closer Look at Who May Be Affected

This development is not limited to large or complex estates. In fact, it may impact families who created trusts for very practical, personal reasons.

- **Special needs trusts.** If you have a child with a disability and a trust designed to protect their government benefits, that trust may now face this limitation. The trust may owe taxes on the income it distributes to your child, while your child is also paying taxes on that same income.
- **Trusts for a surviving spouse.** Many families set up trusts to provide income to a surviving spouse while preserving the principal for children. If that trust is obligated to distribute its income, it now faces a real problem: it may owe tax on income the spouse already paid tax on, and paying that bill means either selling assets or going back to court to reduce her distributions.

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Dedra Sibley, Personal Family Lawyer®

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WHAT'S COOKING

(continued from page 1)

Strawberry LEMONADE SUNSET — with a Tropical Twist —

A refreshing, fruity cocktail with sweet strawberries, zesty lemonade, tropical coconut, and a sunset grenadine finish. Perfect for summer! 🌸

INGREDIENTS (SERVES 1)

- 2 oz coconut rum (such as Malibu)
- 4–5 fresh strawberries, sliced
- 4 oz fresh lemonade
- 1 oz pineapple juice
- Splash of club soda
- Juice of ½ fresh lime
- ½ oz grenadine (for sunset effect)
- Ice
- Fresh mint, strawberry, and lemon slice for garnish

DIRECTIONS

- 1 Muddle the strawberries with lime juice in a cocktail shaker.
- 2 Add coconut rum, lemonade, pineapple juice, and ice.
- 3 Shake vigorously for 15–20 seconds.
- 4 Strain into a tall glass filled with fresh ice.
- 5 Top with a splash of club soda.
- 6 Slowly add the grenadine down the inside of the glass.
- 7 Garnish with a strawberry, lemon wheel, mint, and (optional) an edible flower.

Mocktail Option

Replace the coconut rum with coconut sparkling water or coconut water for a delicious non-alcoholic version! 🌸

PERFECT PAIRINGS



Grilled shrimp or fish tacos

Summer fruit salad



Key lime pie



Coconut macaroons

SUMMER TIP

Freeze sliced strawberries and lemon wheels instead of regular ice cubes. They keep your drink cold without watering it down—and look beautiful! 💖

- Life insurance trusts. Irrevocable trusts holding life insurance policies are a common planning tool. If that trust generates taxable income, the new limitation potentially applies.

The common thread is any trust that distributes income to someone who depends on it. The trusts most immediately at risk are those obligated to distribute their income, such as QTIP trusts for surviving spouses, special needs trusts, and irrevocable life insurance trusts that generate taxable income. Trusts with more distribution flexibility may have more options depending on how Treasury guidance ultimately lands.

And the provision applies to income generated in 2026, meaning for some families, this is already in motion.

What We Know—and What We're Waiting On

This provision was identified in technical guidance explaining the law, and further clarification from the Treasury Department is expected.

That guidance may narrow the impact, confirm it, or provide planning options.

For now, there is some uncertainty. But one thing is clear: the rule is expected to apply to income generated in 2026.

Waiting for complete certainty may feel comfortable, but it can also mean missing opportunities to adjust planning strategies before year-end.

[Read More...](#)

August Offer!

Protect What Matters Most

As your kids go back to school, make sure their future is as ready as their backpacks. Our "Protect What Matters" special waives the \$750 Life & Legacy Planning Session fee so you can create or update your Kids Protection Plan® and ensure your family's assets stay safe and accessible if something happens. Because school prep isn't complete without peace of mind.

Schedule here



On Our Blog



Why a Will-Based Trust May Not Avoid Probate in Florida



How Living Trusts Create Continuity for Florida Families



The SECURE Act's 10-Year Rule: What Florida Families Should Understand

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4 Things You Should NEVER Do When Preparing a Will

Business Legacy - Making Sure Your Business Thrives with a Proper Succession Plan

Secure your legacy, safeguard your loved ones.

A Note From Attorney Dee...

When Life Reminds Us to Be Prepared

There is something about seeing someone you love being wheeled into surgery that changes you. Even when the procedure is carefully planned, the surgeon is highly skilled, and everyone tells you, "Everything will be fine," your heart still carries a quiet anxiety. You realize just how much of life is beyond your control.

A couple of months ago, my husband Dennis underwent major back surgery. We had done everything "right." Our estate planning documents were complete—our wills, powers of attorney, health care directives, and other essential documents were all in place. We had prepared for the unexpected.

Yet, as I watched him head into surgery, I was reminded that none of us truly knows what tomorrow holds.

Thankfully, Dennis is doing well today. His recovery has been remarkable, although he'll continue wearing a back brace for several more months. Seeing him smile again and enjoy simple moments together has made us even more grateful for every ordinary day.

This experience reinforced something I often tell my clients: estate planning isn't about expecting the worst—it is about loving the people who matter most enough to prepare for life's unexpected moments.

When the unexpected happens, your family shouldn't be left wondering:

- Who can make medical decisions?
- Who can manage finances if you're unable?
- What are your wishes?
- Are the right legal documents in place?

Those questions are difficult enough without having to answer them during a crisis.

Planning doesn't eliminate life's uncertainties, but it does provide clarity, peace of mind, and one of the greatest gifts you can leave your loved ones—the confidence that they know what to do because you took the time to prepare.

We can't plan when life will surprise us. But we can plan how our families will be protected when it does.



Then & Now: Surgery day and two months into recovery. The road hasn't been easy, and Dennis will continue wearing his back brace for several more months, but we're grateful for healing, hope, and the reminder that being prepared is one of the greatest acts of love we can give our families.



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leave a legacy that lasts.



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for You.
PROTECTION
for Them.
LEGACY THAT
LASTS.

3 WAYS TO GET THE ESTATE PLANNING GUIDANCE YOU NEED



ESTATE PLANNING ESSENTIALS Coffee & Donuts

Spring into peace of mind! Enjoy coffee, donuts, conversation, and clear guidance from Attorney Dedra Sibley on protecting the people who matter most.



**FRIDAY,
JULY 31, 2026**



9:00 AM – 10:00 AM



Sibley Law & Associates
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PROTECT TODAY. SECURE TOMORROW.

A FREE ESTATE PLANNING WEBINAR

Join us for practical guidance on creating a strong estate plan to protect yourself and your family to avoid court and conflict. We'll cover the key documents, common pitfalls, and simple strategies to ensure your wishes are honored.



**THURSDAY,
AUGUST 7, 2026**



**12:00 PM – 1:15 PM
(75 Minutes)**



LIVE WEBINAR

Attend from the comfort
of your home.



LET'S TALK ABOUT *Your Legacy*

Estate planning doesn't have to be overwhelming. Join us for dinner as we break down the basics of wills, trusts, and how to ensure your loved ones are protected.



**THURSDAY,
AUGUST 20, 2026**



**6:00 PM
Dinner Provided**



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Attorney Dedra Sibley

Estate Planning Attorney, Speaker,
and Founder of Sibley Law & Associates

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If Sibley Law & Associates helped you create peace of mind for yourself and your family, would you take a minute to leave us a Google review?



Your review helps other Florida families find trusted guidance during one of life's most important decisions. Personal recommendations make a real difference, and your experience may give someone else the confidence to finally take the next step in protecting the people they love.

As our way of saying thank you, everyone who leaves a new Google review will receive an "I Did Adulting with Sibley Law & Associates" T-shirt!

Thank you for trusting
us with your estate
planning journey—and
for helping other families plan with
confidence.



Call 321-844-8694 or visit our website to attend one of our pre-scheduled events, or to inquire about a personal presentation for your group.

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