

[Trends](#)

The ‘Widow Tax’ Could Reshape the Great Wealth Transfer—Starting With the Family Home

By [Allaire Conte](#)

July 21, 2026

When **Evelyn Delgado** called her [auto insurer after her husband died](#), she expected the bill to fall—after all, the policy now covered only one driver instead of two.

But after removing her husband, Delgado’s premium jumped by \$280 a year.

“You can imagine my shock,” the [Central Texas](#) widow [told legislators in 2025](#). “Nothing changed about me or my property, except that I lost my husband. Nothing else changed.”

Pam Kuchta had a similar experience.

“As I grieved the loss of my husband, the last thing I expected was a sudden spike in my insurance bill,” she said.

Texas has since barred home and auto insurers from changing someone’s rate solely because they became widowed, but Delgado and Kuchta’s experiences expose a financial contradiction that is only growing in scale and impact.

Widowhood can reduce a household’s income while leaving the cost of sustaining the same life unchanged—or even higher.

The ‘widow tax’ is not one tax

Of the \$124 trillion in assets that [Cerulli Associates estimates](#) will change hands through 2048, \$54 trillion is first expected to pass between spouses. Of that sum, more than 95% will go to women.

But inheriting the household’s assets doesn’t preserve the income that supported them. A surviving spouse may keep the house, retirement accounts, and other wealth while losing one Social Security payment and moving into less favorable tax and Medicare thresholds.

Estate-planning attorneys sometimes use the term “widow tax” to describe that collection of disadvantages.

“‘Widow tax’ suggests a single line item, and in my experience it’s really a convergence of several ordinary rules that all land the same year,” explains **Jonathan White**, [an estate planning attorney](#).

Social Security is often the first hit. A surviving spouse keeps the larger of the couple’s two benefits, but the household still loses one monthly payment. So while an individual benefit can climb, household income still falls.

That impact has had a dramatic and measurable impact on widows, in particular. Among women whose husbands claimed Social Security at full retirement age, widowhood increased the probability of falling into the bottom 5% of their pre-widowhood income distribution by 6.9 percentage points, according to a [2026 TIAA Institute study](#) by economist **Sita Slavov**.

In plain terms, that means becoming far more likely to end up with less income than 95% of women in the study had before widowhood.

What income remains after widowhood also often receives far less favorable treatment. Just one year after the death of a spouse, the survivor loses the ability to file a joint tax return unless another filing status applies, subjecting required minimum distributions and other retirement income to single-filer tax brackets.

In 2026, the standard deduction is \$32,200 for married couples filing jointly but \$16,100 for single filers, according to the [Internal Revenue Service](#). The 22% tax bracket begins above \$50,400 in taxable income for a single filer—exactly half the \$100,800 threshold for a couple filing jointly.

Medicare's income-related surcharges also begin at substantially lower income levels for individual filers than for married couples filing jointly. In 2026, income-related surcharges begin above [\\$109,000 for an individual](#), compared with \$218,000 for a married couple filing jointly—so a widow can cross the threshold even if household income has fallen substantially.

It's a complicated web of falling income and increasing exposure, but White says surviving spouses should pay attention to two, in particular.

“The changes with the greatest effect are the shift to single-filer income tax brackets and the Medicare IRMAA cliff, because those thresholds for a single filer sit at roughly half the married thresholds, not because the surviving spouse's income actually falls in half,” he says.

The same house can consume far more of a widow's income

Nowhere is the strain more obvious than the house itself, though.

As many as 35% of recently widowed older homeowners spent at least 30% of their income on housing, the threshold commonly used to define housing-cost burden, according to a 2022 study from the [Consumer Financial Protection Bureau](#).

Among homeowners aged 60 and older overall, the comparable rate was 22%, meaning the housing-cost-burden rate was approximately 59% higher among recently widowed homeowners.

White says it's something he sees in his own practice.

“The survivor stays in a house sized for two people, and the carrying costs (taxes, insurance, heating, deferred maintenance) keep draining liquid assets while the equity sits untouched,” he explains.

And in recent years, those [carrying costs have become substantially more expensive](#).

Property taxes rose 31% nationally between 2019 and 2025, while average monthly homeowners insurance premiums increased 72%, according to the [Harvard Joint Center for Housing Studies' State of the Nation's Housing 2026 report](#). Residential electricity costs rose more than 30% between 2020 and 2025.

Selling can release the equity—but it starts another calculation

Selling the family home and downsizing might seem like the obvious solution, then. But that seemingly straightforward answer runs straight into the [hidden home equity tax](#).

Today, an estimated 13.1 million homeowners have gains above their applicable exclusion limit, according to [research from the National Association of Realtors®](#). That's due in large part to long-tenured homeowners remaining in their homes long enough for price appreciation to outpace what the exclusion protects.

But widows who have lived in their homes for decades face an even more unusual exposure: The protection available to a married couple can shrink soon after one spouse dies.

The capital gains tax exclusion protects less as the asset has gotten more expensive. National Association of Realtors

For a surviving spouse, the larger exclusion generally remains available only if the sale closes within two years of the spouse's death and the other requirements are met. After that window, the survivor is generally limited to the \$250,000 exclusion.

"So a couple who could have sold with no tax consequence while both were alive can find that the same sale, made three years after one spouse dies, generates a real bill, even though the house hasn't appreciated any further in that time," White says.

"I tell clients: If you're going to sell, know that two-year clock and plan around it deliberately. Don't let it pass by default."

But allowing the two-year window to expire doesn't automatically create a tax bill—as a second rule may work in the survivor's favor.

When one spouse dies, the [tax basis](#) of some or all of the home may be adjusted to its fair market value on the date of death. Because taxable gain is calculated against that basis, the adjustment can erase much of the appreciation that accumulated during the marriage and reduce—or sometimes eliminate—the gain on a later sale.

"Two things change at once," White says. "Part or all of the home's cost basis gets stepped up to fair market value as of the date of death, which can erase most of the taxable gain built up over the marriage. At the same time, the survivor's capital gains exclusion on a future sale drops from \$500,000 to \$250,000 unless the sale closes within two years of the death."

The survivor then has to weigh both rules together: the possible loss of the larger exclusion and the possible basis adjustment created by the spouse's death.

The state and the deed can change the tax bill

But how much of the home's basis is adjusted can depend on where the couple lived and how they owned the property.

"In a community-property state, both halves of the home get a full step-up in basis at the first spouse's death, even the half the surviving spouse already owned," White says. "In [Massachusetts](#) and most other common-law states, only the deceased spouse's half gets stepped up; the survivor's half keeps its original, often much lower, basis."

Consider two couples who bought equally priced homes at the same time and experienced identical appreciation. If one home receives a full basis adjustment at the first spouse's death and the other receives

an adjustment only on the deceased spouse's share, the surviving owners could face very different taxable gains upon sale.

Matt Odgers, a [California estate planning attorney](#), says the distinction can eliminate decades of taxable appreciation in a community-property state.

"When one spouse dies in a community-property state, the home's entire cost basis resets to its value that day," Odgers says. "Decades of appreciation can disappear for tax purposes in a single moment."

But living in a community-property state isn't necessarily enough. The language on the deed and the form in which the couple held title can affect whether the property receives community-property treatment. That makes the ownership documents nearly as important as the home's purchase price, current value, and eventual sale price.

The largest threat to the estate may come after the tax questions

Even when a survivor can sell the house with a solid profit, the property's equity may not reach the couple's children or other heirs.

Longer life spans and higher costs are expected to consume much of the Great Wealth Transfer's wealth before it can ever be passed on. Of the \$93 trillion in assets that boomers hold today, only \$36 trillion [could reach Gen X and millennial heirs](#) over the next 20 years, according to [Visa Business and Economic Insights](#).

"Long-term care is the biggest [expense] by a wide margin," White says. "A surviving spouse who needs assisted living or memory care is often paying \$8,000 to \$15,000 a month privately, and that draws down savings fast, especially once it runs for several years."

The home may eventually become the largest practical source of money available to pay for that care, forcing a sale even when the survivor is not emotionally prepared to move, market conditions are unfavorable, or a different timeline would have produced a better tax result.

"In California, the family home often reaches a surviving spouse nearly tax-free," Odgers says. "What quietly erodes the estate is everything that happens in the years between the two deaths."

The costly mistake may be allowing decisions to happen by default

The death of a spouse can start several financial clocks at the moment the survivor is least prepared to make permanent decisions—and that may be the most costly toll.

"I've seen families lose real money simply because nobody revisited the plan after the first spouse died, not because anyone did anything wrong, just because grief and administrative fatigue delayed decisions that had actual deadlines attached to them," White says.

For the millions of women expected to receive wealth from a spouse in the coming decades, the family home may remain their largest asset—and their biggest burden.

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