Federal Estate Tax Exemption & Exclusion Increased for 2024

November 29, 2023

Recently, the IRS announced an increased Federal Estate Tax Exemption for 2024. The amount a decedent's estate is exempt from estate tax is now $13,610,000. For married couples who plan and synchronize their estate plans, a total of $27,220,000 can be protected from estate taxes.

The increase of the 2024 exemption of over 5% compared to 2023 stems from increases in the consumer price index, which are a result of the continuing high interest rates.

The federal estate tax exemption is unified with the federal gift tax exemption. This means that taxable gifts made during one's lifetime which use the exemption reduce the exemption that is available at death. The highest tax rate for estate or gift tax remains at 40%.

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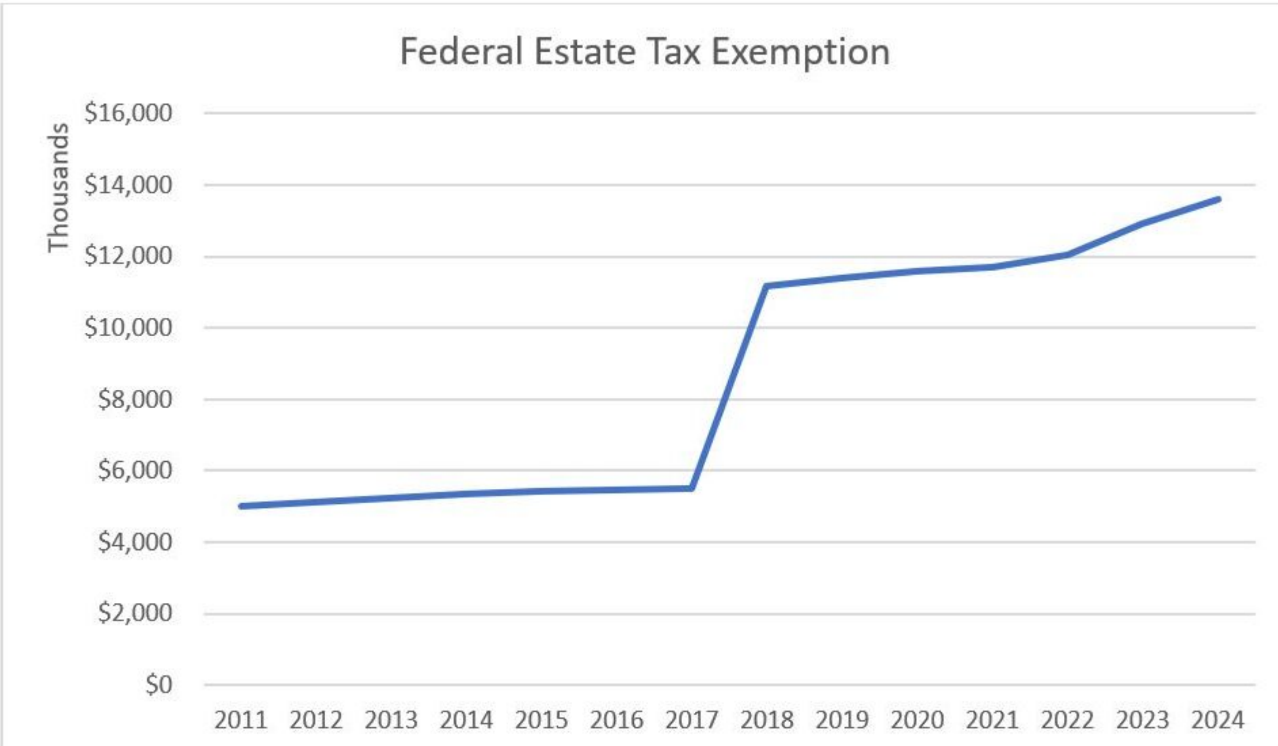

2024 IRS Gift Limit Increase for Next Year

Even if a taxpayer had previously exhausted all of their available exemption through life-time gifting, this increase in 2024 means that an additional $690,000 is available for gifting next year without paying a gift tax. Married couples who plan and synchronize their estate plans gain an additional combined $1,380,000 to gift tax-free.

Future of the Exemption Amount

Since 2012, the estate tax exemption has been indexed for inflation and updated annually. At that time, the base was set to $5,000,000, but this base was doubled in 2017. The increased base is effective for tax years 2018 through 2025, and after 2025 will again be determined using the $5,000,000 base.

Consideration should be given to estate planning to utilize this larger exemption amount before 2026.

Annual Gift Tax Exclusion

The 2024 annual gift tax exclusion has increased to $18,000 from $17,000 in 2023. Taxpayers who make gifts of “present interest” can exclude the first $18,000 given to anyone. Present interest gifts are gifts which the recipient can enjoy immediately and without restriction – generally cash or similar property, and gifts made to certain trusts.

For gifts to non-U.S. citizen spouses, taxpayers can gift up to $185,000 in 2024 before utilizing their Estate Tax Exemption. While gifts to U.S. citizen spouses are unlimited, gifts to non-citizen spouses are not.

For more information, or to discuss the implications of these changes and planning opportunities available to you, contact your Anchin Relationship Partner.

Speak to a Tax Advisor