

2024 Estate, Gift, and GST Tax Inflation Adjustments

Quick take:

- The IRS has announced that the estate and gift tax lifetime exemption will increase to \$13,610,000 per individual (\$27,220,000 for a married couple) in 2024. This is an increase from the exemption of \$12,920,000 per individual (\$25,840,000 for a married couple) in 2023.
- The annual gifting exclusion will increase from \$17,000 per individual in 2023 to \$18,000 per individual in 2024.

In Revenue Procedure 2023-34,¹ the IRS announced that the 2024 Estate Tax, Gift Tax, and Generation Skipping Transfer Tax exemption will increase from \$12,920,000 per individual in 2023 to \$13,610,000 per individual in 2024. Due to portability, a married couple have a combined exemption amount of \$27,220,000.

Estate, Gift, and GST Tax Exemption Background:

The United States imposes several tax regimes on the gratuitous transfer of wealth. An estate tax is imposed on bequests that exceed a specified exemption amount at an individual's passing. To prevent transfers of wealth made during one's lifetime from evading the estate tax, a gift tax is imposed on gifts made during an individual's life that exceed an exemption amount. Last, the Generation Skipping Transfer Tax is imposed on transfers to grandchildren or more remote descendants that exceed a specified exemption amount.

Federal Estate, Gift, and GST Tax Exemption Sunsets in 2026:

The estate tax exemption has been a hotly debated topic, which has seen frequent changes over the past several decades. Most recently, under the Tax Cuts and Jobs Act ("TCJA") of 2017, the federal estate, gift and generation skipping transfer ("GST") tax were doubled beginning January 1, 2018, from \$5,490,000 in 2017 to \$11,180,000 per person (and to \$22,360,000 for a married couple). Absent Congressional action, this provision is scheduled to "sunset" on January 1, 2026, reverting to their pre-2018 exemption levels, indexed for inflation.

¹ IRS Revenue Procedure 2023-34, available at <https://www.irs.gov/pub/irs-drop/rp-23-34.pdf> (last accessed November 13, 2023).

Below is a chart illustrating the recent estate, gift, and GST exemption amounts by year, along with a projection through the sunset of TCJA in 2026.

Year	Individual Estate and Gift Tax Exemption	Tax Rate
2017	\$5,490,000	40%
2018	\$11,180,000	40%
2019	\$11,400,000	40%
2020	\$11,580,000	40%
2021	\$11,700,000	40%
2022	\$12,060,000	40%
2023	\$12,920,000	40%
2024	\$13,610,000	40%
2025	\$14,000,000 ²	40%
2026	\$7,000,000 ²	40%

Annual Exclusion Gifting:

Each year, without using any of their lifetime gift tax exemption, an individual may gift up to an annual exclusion amount to any individual. In 2023, this annual exclusion permitted an individual to make gifts of up to \$17,000 per donee. In 2024, this amount is scheduled to increase to \$18,000 per donee due to inflation. Thus, in 2024, a married couple with two children would be able to gift up to \$36,000 to each child without using any of their lifetime exemption.

Planning for Sunset:

The IRS has issued regulations clarifying that any individuals who make gifts under the current lifetime exemption amount will not be retroactively taxed if the exemption drops due to sunset in 2026.³ Given the increased exemption amount, this provides a unique planning opportunity for families looking to transfer generational wealth. Contact your Summit Advisor to learn how to maximize gifting opportunities.

² 2025 and 2026 exemption amounts are projected estimates. The 2025 exemption will be increased for inflation. In 2026, absent Congressional action, the exemption is scheduled to be reduced by roughly half.

³ See IRS FAQ, available at <https://www.irs.gov/newsroom/estate-and-gift-tax-faqs>.



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