

LEGAL UPDATES

PUBLISHED: SEPTEMBER 16, 2022

Services

Federal Tax Planning
Private Wealth
Tax

Industry

Financial Services &
Capital Markets

Professionals

PATRICK T. CONNER
ST. LOUIS:
314.480.1637
KANSAS CITY:
816.983.8637
PATRICK.CONNER@
HUSCHBLACKWELL.COM

KAITLYN A. BLANCHARD
DALLAS:
214.999.6100
KAITLYN.BLANCHARD@
HUSCHBLACKWELL.COM

KEVIN ERB
DALLAS:
214.999.6102
KEVIN.ERB@

The IRS is Expected to Adjust Certain 2023 Exclusions and Exemptions for Inflation

The gift tax annual exclusion allows a taxpayer to gift a certain amount to a recipient each year without using any of the taxpayer's lifetime exemption amount. In 2022, the annual exclusion amount was \$16,000, or \$32,000 for a married couple choosing to split gifts. For 2023, the annual exclusion amount is estimated to increase to \$17,000, or \$34,000 for a married couple choosing to split gifts. For example, it is expected that a married couple with four children will be able to gift \$136,000 (\$34,000 to each child) in 2023 without using any of their estate and gift tax exemption amounts.

For gifts over and above the annual exclusion amount, each taxpayer receives a lifetime transfer tax exemption. This transfer tax exemption is unified for both federal gift and estate taxes. In 2022, this amount was \$12,060,000 for each taxpayer, or \$24,120,000 for a married couple. Due to inflation, on January 1, 2023, the unified exemption amount is estimated to increase to \$12,920,000, or \$25,840,000 for a married couple, meaning that each taxpayer may be able to transfer an additional \$860,000 free of transfer tax liability beginning next year. It is important to note, however, that the current exemption amounts were put in place by the Tax Cuts and Jobs Act of 2017 and are currently scheduled to sunset at the end of 2025. If no legislative action is taken, the exemption amount will be reduced to \$5,000,000 per taxpayer, or \$10,000,000 for a married couple, indexed to inflation. Currently, if no tax law changes are made before January 1, 2026, we estimate that the unified exemption amount will be approximately \$6,800,000 per taxpayer, or \$13,600,000 for a married couple.

What this means to you

Individuals should consult with their professional advisors to assess whether additional gifts can or should be made in 2023 for tax planning purposes.

Contact us

If you have any questions or would like to discuss gift and estate tax planning opportunities, please contact a member of the Husch Blackwell Private Wealth Practice Specialty Center.