



INFLATION CAUSES SIGNIFICANT INCREASES TO FEDERAL ESTATE AND GIFT TAX EXEMPTIONS

October 18, 2022

On October 18, 2022, the IRS officially announced the inflation adjustments for 2023 for the gift and estate tax exemptions. Due to the inflationary environment, the exemptions have increased more significantly than in past years. The federal estate, gift and generation-skipping tax exemption will increase to \$12,920,000 for 2023 from \$12,060,000 in 2022. This is an increase of \$860,000. The estate and gift tax exemption represents the amount an individual can transfer during life or at death to beneficiaries without paying any estate or gift tax. The generation-skipping transfer tax exemption is the amount that can pass directly or indirectly to grandchildren or more remote descendants without incurring estate tax at one or more generations. The current estate, gift and generation-skipping transfer tax rate is 40%.

For 2023, the annual exclusion will increase to \$17,000 from \$16,000 in 2022. The annual exclusion amount is the amount that a person can give annually to each of as many person as desired without using any gift tax exemption or incurring a gift tax.

For 2023, the annual exclusion for gifts to a non-citizen spouse will increase to \$175,000 from \$164,000 in 2022

If you have any questions, please contact your Cummings & Lockwood LLC attorney.