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Maximizing Your Wealth Transfer Potential: Updates to Gift, Estate, and GST Tax Exemptions for 2024

When it comes to passing wealth to the next generation, one of the most powerful tools in our toolbox is the use of your lifetime gift, estate, and generation-skipping transfer tax (GST) exemption amounts. While the estate/gift tax and GST tax are distinct taxes, the amount a taxpayer can exempt from the respective tax is the same. In 2011, this amount was set by statute at \$5,000,000, indexed for inflation. In 2017, the \$5,000,000 base amount was doubled to \$10,000,000, indexed for inflation.

In 2023, the lifetime gift, estate, and GST tax exemption amounts available to each taxpayer were \$12,920,000. For 2024, these amounts are increasing by \$690,000 per taxpayer to \$13,610,000, or up to \$27,220,000 for married couples. It is important to note, however, that the current unified exclusion amount was put in place by the Tax Cuts and Jobs Act of 2017 and is currently scheduled to sunset at the end of 2025. If no legislative action is taken, the exemption amount will be reduced by 50% to its pre-2017 levels. Proper planning is required to take full advantage of the current exclusion amounts before they are reduced.

Additionally, unlike the lifetime gift and estate tax exemption, the GST exemption is not transferrable at the death of the first spouse. The first spouse to die must fully utilize their GST exemption during their life or at their death or risk losing the use of this valuable estate planning tool.

These are not the only threshold amounts that are increasing for transfer tax purposes. There is also an annual exclusion from gift tax that allows a taxpayer to gift a certain amount to any number of recipients each year without using any of the taxpayer's lifetime exemption amount. In 2023, the annual gift tax

exclusion amount was \$17,000, or \$34,000 for a married couple choosing to split gifts. For 2024, the annual exclusion amount is increasing to \$18,000, or \$36,000 for a married couple choosing to split gifts.

What this means to you

Individuals should consult with their professional advisors to assess whether additional gifts can or should be made in 2024 for tax planning purposes.

Contact us

For questions or assistance related to this update, please contact Ryan Wautlet or a member of the Husch Blackwell Private Wealth Team.