

IRS Announced 2024 COL Adjustments for Estate, Gift Tax Exclusion Amounts

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The Internal Revenue Service recently announced the 2024 cost of living adjustments for the estate and gift tax exclusion amounts.

Gift Tax Exclusion Amount

The Gift Tax Exclusion Amount is the amount an individual may gift to any number of persons annually without incurring a gift tax or reporting obligation. The Gift Tax Exclusion Amount will increase from \$17,000 to \$18,000 in 2024 (a combined \$36,000 for married couples). The Gift Tax Exclusion Amount renews annually, so an individual who gifted \$17,000 to someone in 2023 may gift \$18,000 to that same person in 2024, without any reporting obligation. However, any gift above \$18,000 in 2024 must be reported to the IRS by the person making the gift.

Example A: A single person gives her two children \$18,000 each in 2024. Each gift falls within the Gift Tax Exclusion Amount so the gifting individual will not have to pay any gift tax or notify the IRS. A married couple could give \$36,000 to each child, with the same effect.

Example B: A single person wants to give her only child \$20,000 in 2024. The person who gives the gift must notify the IRS of the \$2,000 gift because it exceeds the \$18,000 Gift Tax Exclusion Amount.

Estate Tax Exclusion Amount

The Estate Tax Exclusion Amount is the amount an individual can transfer estate tax-free upon his or her death. The Estate Tax Exclusion Amount will increase from \$12,920,000 to \$13,610,000 in 2024 (a combined \$27,220,000 for married couples).

Example A: A single person with two children passes away in 2024 owning \$13,610,000 in assets. The deceased person's two children will inherit the full \$13,610,000 as no estate tax is owed.

Example B: A single person with two children passes away in 2024 owning \$20,000,000 in assets. The decedent's estate will owe tax on the assets that exceeded the \$13,610,000 Estate Tax Exclusion Amount ($\$20,000,000 - \$13,610,000 = \$6,390,000$). The current estate tax rate is approximately 40% which means the decedent's estate will owe estate taxes in the amount of

\$2,556,000 (\$6,390,000 x 40%).

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