Tax Strategies

2024 Gift, Estate and GST Tax

The federal government imposes taxes on gifts of property made during a taxpayer's lifetime, or at death, that exceed certain exemption limits. The exemption amounts fluctuate based on inflation. The IRS recently released Revenue Procedure 2023-34 which contains the new exemption amounts for 2024.

Gift and Estate Tax

Annual Gift Tax Exclusion Amount for 2024: $18,000

The annual gift tax exclusion allows any individual to make tax-free gifts of a fixed dollar amount every year to an unlimited number of recipients. In 2024, the annual gift tax exclusion amount will be $18,000 per recipient. Therefore, if a taxpayer has two children and three grandchildren, the taxpayer will be able to gift $18,000 to each of their five descendants ($90,000 total), without any gift tax consequence. For married couples, each spouse can gift $18,000, so a total of $180,000 total (10 x $18,000) could be gifted to their descendants, without any gift tax consequence.

Lifetime Gift and Estate Tax Exemption Amount for 2024: $13.61 million

Gift tax is imposed on lifetime gratuitous transfers in excess of the $18,000 annual gift tax exclusion amount. Estate tax is imposed on transfers at death. Regardless, there is one combined lifetime gift and estate tax exemption amount for 2024 equal to $13.61 million ($27.22 million for a married couple). Transfers up to the gift and estate tax exclusion amount do not require a tax payment. Instead, they are merely applied against the available gift and estate tax exemption amount. For example, assume a taxpayer gifts $1 million in excess of the annual $18,000 gift tax exclusion amount. A gift tax payment would not have to be sent to the IRS, but the taxpayer would now only have $12.61 million to gift during life or pass at death without a gift or estate tax payment being required.

The gift and estate exemption amount in 2023 is $12.92 million. If a taxpayer uses up their entire $12.92 million exemption amount in 2023, they will still be able to gift or pass on an additional $690,000 ($13.61 million - $12.92 million) in 2024 without having to make a tax payment. It should be noted that the lifetime gift and estate tax exemption amount is scheduled to be reduced to approximately $7 million in 2026. Fortunately, for gifts made prior to 2026, the IRS has confirmed they will not claw-back any "excess" gift over the 2026 exemption amount.[1] That means if a taxpayer gifts $13.61 million in 2024 and passes away in 2026 when the estate tax exemption amount is scheduled to be approximately $7 million, the "excess" gift of $6.61 million made in 2024, and any appreciation thereon, will not be subject to estate tax in 2026.

A special rule applies to spouses. A taxpayer can gift an unlimited amount to their spouse while they are alive or when they die without using any of the gift and estate tax exemption amount.[2] Those gifted assets are, however, included in the surviving spouse's estate at their death.

Generation Skipping Transfer ("GST") Tax Exemption

GST Exemption Amount:: $13.61 million

The generation-skipping transfer (GST) tax is imposed on transfers to grandchildren and more remote descendants that exceed the exemption limit. GST was enacted to avoid non-taxable transfers of wealth that "skip" a generation. In recent years, many states have expanded the length of time a trust can exist to hundreds - and sometimes thousands - of years. If GST tax exemption is allocated to these trusts, the assets can benefit multiple generations of descendants without ever being subject to gift, estate, or GST tax.

Generation Skipping Transfer ("GST") Tax Exemption

If Taxable Income In 2024 Is:	The Tax is:
Not over $3,100	10% of the taxable income
Over $3,100 but not over $11,150	$310 plus 24% of the excess over $3,100
Over $11,150 not over $15,200	$2,242 plus 35% of the excess over $11,150
Over $15,200	$3,659.50 plus 37% of the excess over $15,200

Estates and trusts are subject to the same income tax rates as individuals, but the income brackets where those rates kick in are at much lower dollar amounts than those for individuals. Given that disparity, it is often advisable to distribute income from a trust, if possible, because it provides the trust with a deduction while passing the income (and the associated income tax liability) out to trust beneficiaries who are often in a lower tax bracket.

Looking Forward

Although the amount of assets able to be excluded from gift, estate, and GST tax have been steadily increasing, that is scheduled to change in 2026. The result is a limited window through the end of 2025 to achieve significant estate tax savings. Please contact Estate Planning Services at EPS@ceritypartners.com if you have any questions or would like advice regarding your planning options.

1 An exception to the no-clawback rule exists for certain gifts made with retained interests that are still in place within 18 months of the gifting taxpayer's death. Examples of estate planning techniques that could be considered to have retained interests under the exception to the no-clawback rule include QPRTs, GRATs, and certain promissory notes.

2 Annual gifts to non-US citizen spouses are, however, limited to $185,000 in 2024. In addition, a non-US citizen spouse is only entitled to the $13.61 million standard estate tax exemption amount. Amounts passing to a surviving non-US spouse in excess of the estate tax exemption amount can be deferred from estate tax, provided a qualified domestic trust ("QDOT") is used.