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News & Insights

Act Now to take Advantage of IRS Unified Lifetime Estate & Gift Tax Exemption

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Hall Estill Newletter

https://conta.cc/4bSXXpt

The Tax Cuts and Jobs Acts (TCJA) of 2017 ushered in the most comprehensive changes to the Internal Revenue Code in over 30 years. Among the notable changes was a substantial increase in the amount of the unified lifetime estate and gift tax exemption. The exemption allows individuals to transfer a certain amount of wealth without incurring federal estate or gift taxes. The same exemption amount applies to gifts made during an individual's lifetime, transfers of their estate at death, or a combination of both.

Because gifts and transfers beyond the tax exemption amount are taxed at 40%, the substantial increase in the exemption amount provides significant tax benefits to those desiring to transfer wealth or make substantial gifts. Prior to the TCJA, the unified lifetime estate and gift tax exemption amount was $5.49 million per individual. With the passage of the TCJA, the exemption increased to $11.18 million in 2018 and has since increased yearly with inflation. In 2024, the exemption amount stands at $13.61 million for individuals. For married couples, the impact is even more substantial, allowing married couples to shelter up to $27.22 million from federal estate and gift taxes.

However, this increase is temporary. Unless new legislation is enacted, the exemption amount will return to pre-TCJA levels on January 1, 2026. This means the exemption amount will revert to $5.49 million per individual, adjusted for inflation. Current projections estimate the exemption will be between $6 to $7 million per individual in 2026. The pending reversion is creating a sense of urgency for individuals considering significant wealth transfers.

For individuals and families with the desire and means to transfer wealth to future generations or make substantial gifts, there is a window of opportunity before the scheduled end of the TCJA increased exemptions. By acting now, individuals can maximize the benefit of the current tax exemption amount. This proactive approach could involve numerous strategies such as utilizing Family Limited Partnerships, Family Limited Liability Companies, Spousal Lifetime Access Trusts and other trust planning. Consulting with an experienced estate planning attorney is crucial to review and potentially update estate planning documents to optimize estate and gift-giving strategies. Taking action now can lead to significant long-term tax savings and secure financial stability for future generations.

Please do not hesitate to contact a member of the Hall Estill Estate Planning and Trusts Group for assistance or questions.

Practices

- Estate Planning & Trusts