

IRS Releases Annual Inflation Adjustments for Tax Year 2024

The Internal Revenue Service recently released annual inflation adjustments for 2024. They include increased gift, estate, and generation-skipping transfer (“GST”) tax exemptions and annual gift tax exclusions, increased retirement account limits, and new income tax brackets. Here are the key figures:

- The lifetime gift, estate, and GST tax exemptions will increase to \$13.61 million for an individual, a significant increase from \$12.92 million currently. This means that a married couple will have \$27.22 million of available exemption, up from \$25.84 million in 2023. High net worth clients who have already used up their entire exemptions may wish to consider making additional gifts up to \$690,000 (\$1,380,000 for a married couple) in 2024 to lock-in the inflation-adjusted amount.
- The annual gift tax exclusion has increased from \$17,000 to \$18,000. As a result, starting in 2024 individuals will be able to give \$18,000 per year per recipient (\$36,000 for a married couple) to any number of recipients, completely free of gift or estate taxes.
- The annual gift tax exclusion for gifts to non-US citizen spouses has increased from \$175,000 to \$185,000. This provision applies only to couples where one of the spouses makes a gift to the other, and the recipient is not a US citizen. By contrast, gifts made directly from one spouse to a US citizen spouse are not taxable at any amount.
- The top individual tax rate for ordinary income (37%) will apply on 2024 income over \$609,350 for individuals, \$731,200 for married couples filing jointly, and \$15,200 for trusts and estates. In 2023, these thresholds were as follows: \$578,125 for individuals, \$693,750 for married couples filing jointly, and \$14,450 for trusts and estates.
- The maximum annual contribution to 401(k) (and similar) plans will be \$23,000, up from \$22,500 in 2023. The separate limit for IRA contributions will increase to \$7,000, up from \$6,500 in 2023.

We will continue to monitor any further developments, and we invite you to reach out to any member of your Choate team for guidance.

Please contact a member of Choate's Wealth Management Group if you are interested in exploring any of these opportunities further.

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