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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.

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Jessica L. Lambert

Partner

Brian W. Monnich

Partner

Kristin T. Abati

Partner

Marc J. Bloostein

Partner

Courtney N. Carr

Partner

Cameron Casey

Practice Co-Chair, Choate Wealth

Charles A. Cheever

Co-Managing Partner

Kimberly E. Cohen

Partner

Jennifer Ewing

Partner

Renat V. Lumpau

Partner

Geoffrey M. Mason

Partner

Rachel Y. Meagher

Principal

Sarah Tomeo Hertzog

Partner

Andree M. Saulnier

Of Counsel

Shira H. Sokal

Of Counsel