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# IRS Releases Annual Inflation Adjustments for Tax Year 2025

The Internal Revenue Service (IRS) has released annual inflation adjustments for 2025. They include increased gift, estate, and generation-skipping transfer (GST) tax exemptions and annual gift tax exclusions, and new income tax brackets.

Here are the key figures:

- The lifetime gift, estate, and GST tax exemptions will increase to \$13.99 million for an individual, a significant increase from \$13.61 million currently. This means that a married couple will have \$27.98 million of available exemption, up from \$27.22 million in 2024. High net worth clients who have already used up their entire exemptions may wish to consider making additional gifts up to \$380,000 (\$760,000 for a married couple) in 2025 to lock-in the inflation-adjusted amount.
- The annual gift tax exclusion has increased from \$18,000 to \$19,000. As a result, starting in 2025 individuals will be able to give \$19,000 per year per recipient (\$38,000 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 \$185,000 to \$190,000. 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 2025 income over \$626,350 for individuals, \$751,600 for married couples filing jointly, and \$15,650 for trusts and estates. In 2024, these thresholds were as follows: \$609,350 for individuals, \$731,200 for married couples filing jointly, and \$15,200 for trusts and estates.

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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