

Lifetime gift and estate tax exclusions

It's great to give—and the government recognizes that. But the government does put a lifetime limit on how much you can give before it wants its share. For 2024, that is \$13.61 million, and that amount generally rises each year based on inflation. There are also annual limits on individual gifts, which won't affect the lifetime exclusions. More about that later.

Spouses may be able to combine their federal gift and estate tax exclusions, allowing them to transfer \$27.22 million potentially free from federal transfer taxes during their lives or after their deaths. If the first spouse to die doesn't use up their applicable exclusion amount, the surviving spouse can elect to use what's left. This ability of the surviving spouse to take advantage of any unused portion of their spouse's applicable exclusion amount is referred to as portability, and requires that the executor of the first to die spouse's estate elects that option on the deceased spouse's estate tax return. Portability can be combined with the unlimited marital deduction, and the amount ported does not increase with inflation after transferred.

In the event of remarriage, as the law is currently written, the surviving spouse may continue to take advantage of any unused exclusion inherited from the original spouse, as long as the new spouse is alive. However, if the surviving spouse also outlives their new spouse, they will then lose the exclusion inherited from the original spouse, but may inherit the unused portion of an exclusion from the second spouse.

Note: Remember that state inheritance and gift or estate taxes may apply. Consult your attorney or tax advisor regarding your specific situation.

Year	Recent historical lifetime gift and estate tax exclusions
2009	\$3,500,000

2010	\$5,000,000
2011	\$5,000,000
2012	\$5,120,000
2013	\$5,250,000
2014	\$5,340,000
2015	\$5,430,000
2016	\$5,450,000
2017	\$5,490,000
2018	\$11,180,000
2019	\$11,400,000
2020	\$11,580,000
2021	\$11,700,000
2022	\$12,060,000
2023	\$12,920,000
2024	\$13,610,000

Annual federal gift tax exclusion

In 2024, an individual can make a gift of up to \$18,000 a year to another individual without federal gift tax liability. There's no limit on the number of individual gifts that can be made, and couples can give double that amount if they elect to split gifts. For instance, a husband and wife with 2 children can give \$36,000 in annual individual gifts to each child—a total gift of \$72,000—without creating a taxable gift or using any portion of their lifetime federal applicable exclusion amount, assuming they have not made other gifts that would affect it. Once those gifts are made, the money is removed from the parents' taxable estate. The annual federal gift

tax exclusion means that your eligible gifts do not affect your lifetime exclusion amount.

If an individual gives away more than \$18,000 to any one person in a year, a taxable gift is created and the individual must file a federal gift tax return (Internal Revenue Service Form 709). But that doesn't necessarily mean the individual will owe taxes. Instead, the amount of the gift over \$18,000 may simply reduce the \$13.61 million combined lifetime gift and federal estate tax exclusions. For instance, if a father makes a gift of \$118,000 to his daughter this year, that transfer creates a potentially taxable gift of \$100,000 (\$118,000 minus the \$18,000 annual gift tax exclusion).

The father does not need to write a check to the IRS for that taxable gift. Rather, the father could count that overage against his lifetime federal gift and estate tax exclusion amount, reducing the father's applicable exclusion amount from \$13.61 million to \$13.51 million.

If you are concerned that your estate may exceed the threshold, long-range lifetime gifting strategies may help preserve wealth for your heirs while reducing your exposure to transfer taxes.