

MEMORANDUM TO CLIENTS AND FRIENDS

FROM JEANETTE M. LOMBARDI

JANUARY 13, 2023

Increased Exemption for Estate and Gift Taxes in 2023

Dear Clients and Friends,

Good news as we start 2023. We now have an increased estate and gift tax exemption, per individual. The new amount is \$12.92 million. This is an increase of \$860,000, per individual, from the prior year. This exemption represents the amount an individual can gift during their lifetime without incurring a gift tax¹ and/or the amount a decedent's estate (including previously taxable gifts) may be exempt from estate tax. The exemption may be used partially, or in whole, by gifts during life or at death.

Married couples may now protect up to \$25.84 million from estate and gift taxes. Thus, if you had already used your lifetime exemption, you could now gift more with this increase. I highly encourage gifting if your estate is potentially taxable. This will create a greater wealth transfer by minimizing taxation, as the estate and gift tax rate is 40% (higher than ordinary income or capital gains tax).

In addition to the increased exemption amount, we also now have a greater annual exclusion amount. The annual exclusion amount is \$17,000 per donee. Thus, a couple (married or unmarried) could easily gift \$34,000 to each child, each child's spouse, each grandchild, etc., without any gift tax consequence whatsoever. The annual exclusion is not limited to family members; they include any individual. If the annual exclusion gifts are funding irrevocable trusts, it is important to follow the required steps, such as notice to the "Crummey" beneficiaries and that the gifts are made under the terms of that irrevocable trust.

There are other changes regarding income taxation and you may wish to contact your accountant to review any changes which may potentially affect your situation.

Warm wishes for a great 2023! I hope you are all doing well and that you celebrated good health during the holiday season.

¹ In addition to non-taxable gifts made by direct payment of tuition, direct payment of uncovered medical expenses or health care insurance, and the annual exclusion amount.



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