

Year-End Tax Planning

Memo 2023

There have been significant changes over the last several years to the federal estate and gift tax exemption, which allows individuals to transfer assets tax-free up to the exemption amount either during their lives or upon their deaths, and we expect changes to continue into the future. As we look towards the years ahead, there is one legislated change we want to highlight so that numerous tax saving opportunities are not overlooked.

Federal Estate and Gift Tax Revisions

Under the 2017 Tax Cuts and Jobs Act (TCJA) the federal estate and gift tax exemption amount increased from \$5.6 million to \$11.18 million per individual and that amount has been indexed for inflation since 2018. As of 2023 the exemption has further risen to \$12.92 million per person, and the IRS has announced it will be raised to \$13.61 million for 2024. Most likely, this inflationary trend will continue and the exemption amount will further increase in 2025. However, there is one catch, as of January 1, 2026 the increased exemption sunsets, returning to its pre-TCJA amount of approximately \$5 million, once indexed for inflation. After indexing, estimates are that the 2026 exemption will be approximately \$7 million per individual.

Importantly, the exemption is a “use it or lose it” proposition; meaning if the exemption decreases during your lifetime, and you did not use the higher exemption, you lose the ability to do so. This is highly significant as individuals who do not use their full exemption by December 31, 2025 will lose the ability to gift an estimated \$7 million tax-free per person, or \$14 million per married couple.

In light of this, we advise clients to speak with their Chilton advisors and estate planning attorneys to ensure that estate plans, where appropriate, maximize the use of the increased exemption well before it is lost.

Fortunately, there is no need to wait until 2025 to start planning. As we look towards 2024, we want to raise this opportunity with our clients so they can best prepare estate plans to capture these exemptions. Within this timeframe trusts

can be established and funded throughout 2024, then further funded in 2025 with the increased exemption amount, if desired.

As a practical matter to watch for, historically we have seen some attorneys set cut-off dates as much as six months before significant gift tax changes and as such they may be unable to accommodate the volume of trusts and planning being done.

It is possible that Congress will act between now and late 2025 to change the current sunset provision, but if they do not the impact of not using the exemption may be significant. Please reach out to your Chilton advisor if we can answer any questions or discuss how this change might apply to you.

Quick Reference Numbers

2024 Lifetime Estate and Gift Tax Exemption, per donor

\$13.61 million (vs. \$12.92 million in 2023)

2024 Annual Gift Tax Exclusions

\$18,000 per person, per recipient (vs. \$17,000 in 2023)

2024 401(k) Contribution Limit

\$23,000 (vs. \$22,500 in 2023)

Catch Up Limit for Employees Aged 50 and Over

\$7,500 (no change from 2023)

2024 IRA Contribution Limit

\$7,000 (vs. \$6,500 in 2023)

Catch up Limit for Employees Aged 50 and Over

\$1,000 (no change from 2023)

For further insight on transfer planning and strategy, contact one of our experienced wealth advisors or explore our content library [here](#).

Chilton Trust

300 Park Avenue, 19th Floor
New York, New York 10022
(212) 843-6882

Chilton Trust Company, a private, independent Trust Company, advises and provides wealth management services including fiduciary service and investment solutions to high-net-worth individuals, families and foundations.

This document was prepared by Chilton Trust. Any use of "Chilton Trust" herein refers to Chilton Trust Company, NA and its affiliates, including but not limited to Chilton Investment Services, LLC, and their owners, employees, and agents. Fiduciary services are provided to clients by Chilton Trust Company, NA. Investment advisory and portfolio management services are provided to clients, by delegation, by Chilton Investment Services, LLC and other affiliates. This material is for general informational purposes and does not take into account the particular investment objective, financial situation, or individual need for the recipient. Any information provided herein is based on third party sources which Chilton Trust believed to be reliable. Chilton Trust makes no representations as to the accuracy or completeness thereof. Views expressed herein are based on information as of the date indicated and are subject to change without notice. Nothing herein should be construed as tax or legal advice and all Clients are encouraged to consult their own professional advisors before investing in a Chilton Trust Account.