



Estate Planning 2024 Federal Tax Update

January 2, 2024

As we start the new year, this Federal Tax Update highlights estate planning-related federal tax information that may be helpful as you consider planning options for 2024. Because Congress could pass legislation that changes this information during the year, you should contact your Lathrop GPM estate planning attorney for advice prior to taking any transfer tax planning action.

Key Tax Concepts for 2024

- **Lifetime Exclusion Increased to \$13,610,000:** As of January 1, 2024, the federal gift and estate tax exclusion amount, as well as the exemption from generation-skipping transfer ("GST") tax, (collectively, the "lifetime exclusion amounts") have increased to \$13,610,000 per person compared to calendar year 2023. This is a combined \$27,220,000 for a married couple. That is an increase of \$690,000 per person. This presents additional gifting opportunities even for individuals who previously used their full lifetime exclusion amounts.
- **2025 Sunset of Lifetime Exclusion Amounts:** However, the lifetime exclusion amounts are scheduled to sunset at the end of 2025, decreasing on January 1, 2026, to a \$5,000,000 base amount (instead of the current \$10,000,000 base amount) plus an inflation adjustment. Although Congress could act to prevent the decrease, we encourage you to start planning now if using the lifetime exclusion amounts might be appropriate for you. This is a "use it or lose it" scenario. If you have sufficient assets to gift some or all of your lifetime exclusion amounts, the planning process should start now to ensure full considerations of your options and proper planning. Starting actions in 2025 may not allow enough time in some situations.
- **Annual Exclusion Increased to \$18,000:** As of January 1, 2024, the federal gift tax annual exclusion amount has increased to \$18,000 (a combined \$36,000 for a married couple). This is an increase of \$1,000 per gift recipient compared to calendar year 2023. The annual exclusion is the amount an individual can gift per recipient per calendar year without using any lifetime exclusion amounts or paying any gift tax.
- **Federal Tax Rates for Estates and Trusts Unchanged:**
 - The highest federal estate tax, gift tax and GST tax rate remains at 40% for 2024.
 - The highest federal income tax rate for estates and non-grantor trusts is 37% for 2024. This tax rate applies to taxable income over \$15,200 earned in tax year 2024.
- **Federal Estate Tax Portability Unchanged:** The ability to transfer a decedent's unused federal estate tax exclusion amount to the decedent's surviving spouse by filing a federal estate tax return (referred to as "**portability**") remains in effect for 2024. The period for a late portability election remains five years



after the decedent's death. Making this election following a married individual's death is prudent if the surviving spouse's estate might exceed the survivor's available federal estate tax exclusion amount (including considering the pending decrease as of January 1, 2026). If your spouse died within the last five years and this election was not made, you should contact us about the advisability of making the election now.

- **Required Minimum Distributions:** For your qualified retirement plan accounts, the applicable age for starting required minimum distributions ("**RMDs**") is now age 73 for individuals who attain age 72 after December 31, 2022, and will change to age 75 as of 2033 for individuals who attain age 74 after December 31, 2032. The current law also has eliminated pre-death RMDs from Roth accounts in 401(k) and 403(b) plans starting in 2024. You also should confirm what options you may have for catch-up contributions allowed by some participants; the rules change starting in 2025 but some contribution rules have been adjusted due to inflation as well. You should contact your plan administrator or financial advisor regarding how these and other changes impact you and how to compute your RMDs for 2024.

Contact Your Lathrop GPM Estate Planning Attorney for More Information

We encourage you to have your current estate plan reviewed regarding gift and estate tax planning opportunities available in 2024. Such a review also can ensure that your estate plan continues to reflect your intentions and is up to date with your current circumstances. Please contact your Lathrop GPM estate planning attorney to schedule such a review at your convenience. We look forward to hearing from you.