

## Publications

### IRS Announces Increased Gift Tax Annual Exclusion And Gift, Estate, And GST Tax Exemption For 2024

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#### CLIENT ALERT | 11.21.2023

The Internal Revenue Service (IRS) recently released the annual inflation adjustments for tax year 2024, which include increases in the gift tax annual exclusion, the combined gift and estate tax exemption, and the generation-skipping transfer (GST) tax exemption.

The gift tax annual exclusion will increase for the third year in a row, rising to \$18,000 per recipient in 2024 (up from \$17,000 in 2023). Beginning on January 1, 2024, an individual may make gifts in an amount up to \$18,000, in total, on an annual basis to any recipient without making a taxable gift, and married couples who elect to gift-split may annually gift a combined \$36,000 per recipient without making a taxable gift. For example, an individual with four (4) children may give each child a total of \$18,000 in 2024 on a non-taxable basis, and a married couple with four (4) children may give each child a total of \$36,000 in 2024 on a non-taxable basis.

In addition, the combined gift and estate tax exemption available to each individual taxpayer will increase from \$12.92 million in 2023 to \$13.61 million in 2024. The combined gift and estate tax exemption represents the total amount of gifts an individual may make during lifetime, together with transfers made at death, before incurring gift or estate tax. Thus, beginning on January 1, 2024, a married couple can transfer a combined \$27.22 million of wealth, free of gift and estate tax.

For individuals who have used their entire combined exemption at the end of tax year 2023, such individuals may transfer, as gifts, an additional \$690,000 tax-free as of January 1, 2024. A married couple with no exemption remaining as of the end of 2023 may make additional gifts of \$1.38 million without gift (or estate) tax liability.

The GST tax exemption will also increase to \$13.61 million beginning on January 1, 2024. An individual may place assets having a value up to the exemption amount into a trust during lifetime and/or at death and allocate their GST tax exemption to such trust. In doing so, the assets could remain in the trust for generations without any gift, estate, or GST tax due on the trust distributions or upon the trust's termination.

The increased exemption amounts are based on a \$10,000,000 exemption, adjusted annually for inflation. However, under current law, on January 1, 2026, the exemption amounts are scheduled to revert to \$5,000,000, adjusted annually for inflation. Thus, in 2026, it is anticipated that the exemption amounts will revert to approximately \$7,000,000 – \$8,000,000. However, there are a variety of planning strategies available to "lock in" the higher exemption amounts before they are reduced.

High net worth clients are **strongly** encouraged to begin planning to "lock-in" their exemption as soon as possible in order to ensure all planning options can be explored and completed before the end of 2025. Contact your Vorys estate planning attorney to discuss the options that might best suite your wealth and circumstances.