

IRS Announces Inflation Adjustments for 2025

Annual Gift Exclusion and Estate and Gift Tax Exemption Continue to Rise

St. Louis, Nov. 4, 2024 – On October 22, 2024, the Internal Revenue Service released Revenue Procedure 2024-40, updating more than 60 tax provisions for tax year 2025.

Notable changes include increases to the lifetime estate and gift tax exemption and annual exclusion from gift tax. The gift and estate tax exemption is changing from \$13,610,000 per individual in 2024 to \$13,990,000 in 2025. The new annual gift exclusion has been increased to \$19,000 per donee, up from \$18,000 in 2024.

For married couples planning annual gifts, this means that up to \$38,000 can be given to each individual donee without a gift tax return filing requirement, if both spouses are U.S. citizens and they utilize gift splitting. Spouses who are U.S. citizens can still transfer unlimited amounts to one another without incurring any gift tax, however, gifts to a non-U.S. citizen spouse remain limited. For tax year 2025, the first \$190,000 of gifts to a non-U.S. citizen spouse are not taxable, representing a slight increase from 2024's \$185,000 exemption.

Individual gifts in excess of the 2025 annual gift tax exclusion will use a portion of the donor's \$13,990,000 million lifetime gift and estate tax exemption. For married couples who are both U.S. citizens, the 2025 gift and estate tax exemption represents a combined \$27,980,000. Note that under current law, this amount is set to be decreased by half starting January 1, 2026, unless lawmakers undertake further action.

For questions regarding your individual planning opportunities, please contact Lowenhaupt & Chasnoff at 314.241.5950.

About Lowenhaupt & Chasnoff

Lowenhaupt & Chasnoff, LLC has been providing counsel to families of substantial wealth since it was founded in 1908. The firm's mission is to help individuals and families achieve freedom from wealth. The L&C team is comprised of tax, trust and estate planning attorneys who counsel clients and offer fiduciary advice to manage complex wealth management issues. The firm was the first firm to concentrate in U.S. income taxes when it was founded and has been led by three generations of Lowenhaupts. For more information, call 314.241.5950 or visit www.lowenchas.com.