

## IRS Announced 2025 COL Adjustments for Estate, Gift Tax Exclusion Amounts

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November 13, 2024

The Internal Revenue Service recently announced the 2025 cost of living adjustments for the estate and gift tax exclusion amounts.

### **Gift Tax Exclusion Amount**

The Gift Tax Exclusion Amount is the amount an individual may gift to any number of persons annually without incurring a gift tax or reporting obligation. The Gift Tax Exclusion Amount will increase from \$18,000 to \$19,000 in 2025 (a combined \$38,000 for married couples). The Gift Tax Exclusion Amount renews annually, so an individual who gifted \$18,000 to someone in 2024 may gift \$19,000 to that same person in 2025, without any reporting obligation. Any gift above \$19,000 in 2025, however, must be reported to the IRS by the person making the gift.

Example A: A single person gives her two children \$19,000 each in 2025. Each gift falls within the Gift Tax Exclusion Amount so the gifting individual will not have to pay any gift tax or notify the IRS. A married couple could give \$38,000 to each child, with the same effect.

Example B: A single person wants to give her only child \$20,000 in 2025. The person who gives the gift must notify the IRS of the \$1,000 gift because it exceeds the \$19,000 Gift Tax Exclusion Amount.

### **Estate Tax Exclusion Amount**

The Estate Tax Exclusion Amount is the amount an individual can transfer estate tax-free upon his or her death. The Estate Tax Exclusion Amount will increase from \$13,610,000 to \$13,990,000 in 2025 (a combined \$27,980,000 for married couples).

Example A: A single person with two children passes away in 2025 owning \$13,990,000 in assets. The deceased person's two children will inherit the full \$13,990,000 as no federal estate tax is owed.

Example B: A single person with two children passes away in 2025 owning \$20,000,000 in assets. The decedent's estate will owe tax on the assets that exceeded the \$13,990,000 Estate Tax Exclusion Amount ( $\$20,000,000 - \$13,990,000 = \$6,010,000$ ). The current federal estate tax rate is approximately 40% which means the decedent's estate will owe estate taxes in the amount of \$2,404,000 ( $\$6,010,000 \times 40\%$ ).

Please contact a Miller Canfield estate planning attorney to discuss how these increased exclusion amounts will impact your estate plan and family wealth transfer goals.