

# IRS Announced 2024 COL Adjustments for Estate, Gift Tax Exclusion Amounts

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The Internal Revenue Service recently announced the 2024 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 \$17,000 to \$18,000 in 2024 (a combined \$36,000 for married couples). The Gift Tax Exclusion Amount renews annually, so an individual who gifted \$17,000 to someone in 2023 may gift \$18,000 to that same person in 2024, without any reporting obligation. However, any gift above \$18,000 in 2024 must be reported to the IRS by the person making the gift.

Example A: A single person gives her two children \$18,000 each in 2024. 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 \$36,000 to each child, with the same effect.

Example B: A single person wants to give her only child \$20,000 in 2024. The person who gives the gift must notify the IRS of the \$2,000 gift because it exceeds the \$18,000 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 \$12,920,000 to \$13,610,000 in 2024 (a combined \$27,220,000 for married couples).

Example A: A single person with two children passes away in 2024 owning \$13,610,000 in assets. The deceased person's two children will inherit the full \$13,610,000 as no estate tax is owed.

Example B: A single person with two children passes away in 2024 owning \$20,000,000 in assets. The decedent's estate will owe tax on the assets that exceeded the \$13,610,000 Estate Tax Exclusion Amount ( $\$20,000,000 - \$13,610,000 = \$6,390,000$ ). The current estate tax rate is approximately 40% which means the decedent's estate will owe estate taxes in the amount of

\$2,556,000 (\$6,390,000 x 40%).

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