

insights

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What you should know about estate and gift tax 2018 inflation adjustments

The IRS has announced the 2018 inflation adjustments for many tax provisions, including exemptions for estate, gift and generation-skipping transfer taxes and the annual exclusion amount for gifts.

The 2018 estate and gift tax “exemption” will be \$5,600,000, up from \$5,490,000 for 2017. This is the total amount that can pass free from estate tax on death and/or from gift tax during life.

The same exemption amount is used for generation-skipping transfer taxes. It allows parents to create trusts for children and future generations that avoid estate tax at all generations. When used with the gift/estate tax exemption, a parent can remove \$5,600,000 from his or her estate (or \$11,200,000 from a married couple’s estate) and all growth thereafter and none of it will ever be exposed to estate tax while held in trust (under current law).

The gift tax annual exclusion amount increased to \$15,000 from \$14,000, where it has been since 2013. This is the amount that each person can give to another person without using any of the above-described gift and estate tax exemption. Payments of tuition to schools and medical expenses to health care providers do not count against either the \$15,000 annual gift tax exclusion or the \$5,600,000 gift and estate tax exemption.

Gifts to spouses who are United States citizens are not subject to gift tax. For gifts to spouses who are not U.S. citizens, the annual exclusion amount increased to \$152,000 from \$149,000. Gifts in excess of that amount will use gift and estate tax exemption.

The adjustments are included in IRS Revenue Procedure 2017-58, which will be published in the Internal Revenue Bulletin on November 6, 2017.

For how to use this information in your estate planning, please contact a member of our [Private Client practice area](#).

[Jackie Dimmitt](#) represents individuals and families in the areas of estate planning and charitable giving and also represents nonprofit organizations.

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