

ESTATE AND GIFT TAX EXCLUSIONS INCREASE TO \$11.58 MILLION IN 2020

Hodgson Russ Trusts & Estates Alert
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On November 6, 2019, the Internal Revenue Service announced the 2020 inflation adjustments for various tax items, including increases in estate and gift tax exclusions and standard deductions. The estate of individual taxpayers who die in 2020 will be able to take advantage of an estate and gift tax exclusion of \$11.58 million, an increase of \$180,000 from the current exclusion of \$11.40 million. This means that an individual taxpayer can leave up to \$11.58 million to heirs without such property being subject to federal estate and gift tax. Married couples can take advantage of a \$23.16 million estate and gift tax exclusion, double the amount available to single taxpayers. These increased exclusion amounts are set to expire at the end of 2025 and revert to the pre-2018 exemption level of \$5 million (indexed for inflation) for an individual taxpayer. Therefore, taxpayers who are considering substantial lifetime gifts must “use or lose” the additional exemption before 2026.

The annual gift tax exclusion, however, remains \$15,000, unchanged from 2019. But, for gifts from a U.S. citizen spouse to a non-U.S. citizen spouse, the IRS increased the annual gift tax exclusion amount to \$157,000. This marks a \$3,000 increase from the 2019 exclusion. Otherwise, as long as the donee spouse is a U.S. citizen, gifts between spouses are excluded from federal estate and gift tax.

Additionally, the IRS increased the standard deduction to \$12,400 for individual taxpayers and married taxpayers filing separate returns and to \$24,800 for married taxpayers filing jointly. For heads of households, the standard deduction will increase to \$18,650.

Of note, New York State has not yet announced 2020 exclusion amounts. For dates of death on or after January 1, 2019 and before January 1, 2020, the basic exclusion amount for New York State estate tax is set at \$5.74 million for an individual taxpayer.

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