

Inflation Adjustments to Transfer Tax Provisions Provide New Opportunities in 2015

19 NOVEMBER 2014

CATEGORY:
ARTICLE

On October 30, 2014, the IRS announced in Rev. Proc. 2014-61 that there will be higher estate, gift, and generation-skipping transfer (GST) tax exemptions for tax year 2015 to account for inflation. These new thresholds provide additional estate planning opportunities to pass assets free from federal transfer taxes.

The Inflation Adjusted Numbers

The IRS's annual inflation adjustments modify more than forty provisions in the tax code. As these relate to future estate planning opportunities, three provisions are of particular note:

- The individual exemptions from estate, gift, and GST taxation will increase by \$90,000 from \$5,340,000 in tax year 2014 to \$5,430,000 in 2015.
- The annual gift tax exclusion remains at \$14,000.
- The exclusion for gifts to a non-US citizen spouse will increase from \$145,000 in tax year 2014 to \$147,000 in 2015.

New Estate Planning Opportunities

While these inflation adjustments may seem modest at first glance, they do offer additional planning possibilities. If you haven't adjusted your estate planning structure recently, the impact of the inflation adjustments are even more pronounced given the increase to the lifetime exemptions. The table below highlights the year-to-year cumulative impact of the annual inflation adjustment over a five year period.

Year of your most recent gifting	Individual gift exemption	Increase since 2011	Combined exemption per couple	Combined increase since 2011
2011	\$5,000,000	-	\$10,000,000	-
2012	\$5,120,000	\$120,000	\$10,240,000	\$240,000
2013	\$5,250,000	\$250,000	\$10,500,000	\$500,000
2014	\$5,340,000	\$340,000	\$10,680,000	\$680,000
2015	\$5,430,000	\$430,000	\$10,860,000	\$860,000

As illustrated above, the new lifetime exemption provides an opportunity to pass significant additional assets free from federal estate, gift and GST taxation. This allows for planning options such as additional contributions to existing trusts or for the initial funding of new trusts.

If you would like to discuss how this information can be put to use for you and your family, please consult with your Withers Bergman attorney.