Thompson Hine

Personal & Succession Planning Update

March 2023

Estate, Gift and Generation-Skipping Transfer Tax Exemptions Increase in 2023

The federal estate tax, gift tax, and generation-skipping transfer tax exemptions, which are indexed for inflation, increased from $12,060,000 in 2022 to $12,920,000 for 2023, an increase of $860,000. For a married couple, this unprecedented increase adds up to $1,720,000, providing a married couple a combined exemption amount of $25,840,000 for 2023.

One thing to keep in mind is that the current enhanced exemption amounts were put in place by the 2017 Tax Cuts and Jobs Act (Act). Under the Act, these enhanced amounts will expire at the end of 2025, and on January 1, 2026, they will revert to pre-Act levels (approximately half of the enhanced amounts, as indexed for inflation), unless Congress acts before then to change the law or make the enhanced exemptions permanent.

Other notable 2023 estate planning inflation adjustments are an increase in the federal gift tax annual exclusion from $16,000 to $17,000 per person ($34,000 per person for gifts by a married couple) and an increase in the annual exclusion for gifts to a non-U.S. citizen spouse from $164,000 to $175,000.

SECURE Act 2.0 Highlights

Congress passed further changes to the retirement savings plans rules at the end of 2022 in a law known as SECURE Act 2.0. Here are some highlights.

Required Minimum Distributions

The age for taking required minimum distributions (RMDs) increased from 72 to 73 beginning January 1, 2023, and will increase to 75 beginning January 1, 2033. Notice 2023-23 clarifies for an individual who attains age 72 after December 31, 2022, and age 73 before January 1, 2033, the new required beginning date (that is, the date RMDs must begin) is April 1 of the calendar year following the calendar year in which the individual attains age 73. For example, an IRA owner who will attain age 72 in 2023 (that is, individuals born in 1951) will have a required beginning date of April 1, 2025, rather than April 1, 2024, and no RMD from the IRA in 2023. The Notice reminds taxpayers that the SECURE Act 2.0 did not change the required beginning date for IRA owners who attained age 72 prior to January 1, 2023. IRA owners who have attained age 72 in 2022, and have not yet taken their 2022 RMDs, have until April 1, 2023 to do so.

Charitable Distributions

Under prior law, when you reached age 70 1/2, you could satisfy your RMDs while also meeting your charitable goals by making qualified charitable distributions from your individual retirement account (IRA) to public charities under Section 501(c)(3) of the Internal Revenue Code, with an annual limit of $100,000. Beginning in 2023, the $100,000 limit will be indexed for inflation. Further, under SECURE Act 2.0, beginning in 2023 you can make a one-time gift of $50,000, also indexed for inflation, from your IRA to a charitable gift annuity or a charitable remainder trust.

529 Plan Rollovers

Beginning in 2024, the beneficiary of a 529 college savings plan will be permitted to roll over a cumulative total of $35,000 to a Roth IRA, and RMDs will no longer be required from Roth 401(k) plans. However, a traditional IRA or Roth IRA that is inherited from a non-spouse must still be distributed within 10 years if the account owner died after 2020.

FOR MORE INFORMATION

For more information, please contact your Thompson Hine estate planning attorney.