Winter 2021/2022

Estate Planning Update Winter 2021/2022 - 2022 Inflation Adjustments

Each year, certain federal gift, estate and generation-skipping transfer (GST) tax figures are subject to inflation adjustments:

- For 2022, the annual exclusion amount for gifts increases to $16,000 (from $15,000). The annual exclusion amount for gifts made to a noncitizen spouse in 2022 increases to $164,000 (from $159,000).
- The federal gift, estate and GST tax exemption amount for gifts made in 2022 and decedents dying in 2022 increases to $12,060,000 (from $11,700,000 in 2021). These exemption amounts apply to U.S. citizens and those domiciled in the United States.

There are changes to exemptions in three of our footprint states as well:

- The Connecticut gift and estate tax exemption for gifts made in 2022 and decedents dying in 2022 increases, to $9,100,000 (from $7,100,000).
- The New York state estate tax exemption increases with inflation each year. As this newsletter goes to press, the 2022 exemption has not been announced—it was $5,930,000 in 2021.
- The Rhode Island estate tax credit amount increases to $70,490 in 2022, which effectively increases the estate tax threshold to $1,654,688 (from $69,515 and $1,595,156, respectively).

Also note some changes to retirement plan contribution limits:

- The contribution limit for 401(k) plans will increase in 2022 to $20,500 (from $19,500). The limit for catch-up contributions to such plans for people over age 50 remains unchanged at $6,500.
- The limit on annual contributions to IRAs remains unchanged at $6,000, with the IRA catch-up contribution limit remaining at $1,000.
- For further information on retirement plan contribution limits, see our alert, "IRS Publishes 2022 Pension Plan Limitations."

An individual who relinquishes U.S. citizenship or long?term residence status may be subject to a mark-to-market tax on the deemed sale of all assets and other adverse tax consequences if the individual's net worth is more than $2 million or the individual's average annual income tax liability is above certain thresholds. A certain amount of gain is excluded from the mark-to-market tax. Note these changes:

- The income tax threshold for triggering covered expatriate status increases to $178,000 in 2022 (from $172,000).
- The excluded gain under the mark-to-market tax increases to $767,000 (from $744,000).

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