

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).

[Day Pitney Estate Planning Update - Winter 2021/2022 \(pdf\)](#)