

Winter 2022/2023

## Estate Planning Update Winter 2022/2023 - 2023 Inflation Adjustments

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

- For 2023, the annual exclusion amount for gifts increases to \$17,000 (from \$16,000 in 2022). The annual exclusion amount for gifts made to a noncitizen spouse in 2023 increases to \$175,000 (from \$164,000).
- The federal gift, estate and GST tax exemption amount for gifts made in 2023 and decedents dying in 2023 increases to \$12,920,000 (from \$12,060,000). These exemption amounts apply to U.S. citizens and those domiciled in the United States.

There are changes to exemptions in three of the states in which Day Pitney has offices:

- The Connecticut gift and estate tax exemption for gifts made in 2023 and decedents dying in 2023 also increases, to \$12,920,000 (from \$9,100,000).
- The New York state estate tax exemption for decedents dying in 2023 also increases, to \$6,580,000 (from \$6,110,000).
- The Rhode Island estate tax credit amount also increases with inflation each year. The 2023 exemption has not been announced—the credit amount was \$74,300, making the estate tax threshold \$1,648,611, in 2022.

Note also some changes to retirement plan contribution limits:

- The contribution limit for 401(k) plans will increase in 2023 to \$22,500 (from \$20,500). The limit for catch-up contributions to such plans for people over age 50 will increase to \$7,500 (from \$6,500).
- The limit on annual contributions to an IRA will increase to \$6,500 (from \$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 2023 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 \$2,000,000 or 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 \$190,000 in 2023 (from \$178,000).

The excluded gain under the mark-to-market tax increases to \$821,000 (from \$767,000).

### Massachusetts' 'Millionaires Tax' Goes Into Effect in 2023

Massachusetts voters approved a 4 percent income tax surtax on Massachusetts taxpayers with a net income in excess of \$1 million. The new tax goes into effect on January 1, 2023. For additional information, see our [alert](#).

### 2023 Inflation Adjustments Provide Opportunities For Additional Gifts

The federal gift and estate tax exemption amount is adjusted for inflation each year. One consequence of higher inflation is a substantial increase in the exemption amount for 2023—an increase of \$860,000 to \$12,920,000. An individual who has used their full lifetime exemption of \$12,060,000 will, as of January 1, 2023, be able to give away

another \$860,000 over and above annual exclusion gifts. A married couple will together be able to give away twice that amount. If you are interested in taking advantage of this gifting opportunity, please contact your Day Pitney estate planning attorney.

[Day Pitney Estate Planning Update- Winter 2022/2023 \(pdf\)](#)