

As you look to planning for 2023, keep in mind the recently announced annual inflation adjustments from the Internal Revenue Service that will take effect beginning in 2023.

### Federal Estate and Gift Tax Exemption/Exclusion Levels

Below is a chart showing the gift and estate tax figures for 2022, 2023, and how they are set to look in 2026.

	2022	2023	2026*
Gift and Estate Tax Exemption	\$12,060,000	\$12,920,000	\$6,460,000**
Generation-Skipping Tax Exemption	\$12,060,000	\$12,920,000	\$6,460,000**
Gift Tax Annual Exclusion	\$16,000	\$17,000	\$17,000**
Annual Exclusion for Gifts to Noncitizen Spouse	\$164,000	\$175,000	\$175,000**

*\*Under current law, the exemption will be decreased by 50% in 2026*

*\*\*Plus inflation adjustments*

The larger gift and estate tax exemptions and exclusions mean additional opportunities for tax-free gifts in 2023.

- Make Annual Family Gifts Early – Beginning in 2023, the “annual exclusion” will allow you to transfer up to \$17,000 (\$34,000 for married couples) to any individual. Making these gifts early in the year often results in more value passing to family members at no additional tax cost because it allows any appreciation over the year to pass to the recipients tax-free.
- Use Larger Tax Exemption Early (and Certainly Before They Expire!) - Both the estate/gift tax exemption and the generation-skipping transfer (GST) tax exemption will increase to \$12,920,000 in 2023. Married couples will be able to give \$25,840,000 without gift or GST consequences. Even individuals and couples who have already used their entire prior exemptions now have an additional \$860,000 (or \$1,720,000 for married couples) that can be gifted in 2023. Making these gifts early in the year will ensure that they are accomplished and allow any appreciation on the assets to pass to the recipients tax-free. Beginning in 2026, these exemptions are scheduled to be cut in half from their current levels (plus inflation adjustments). Anyone who is in a position to take advantage of these larger exemptions who does not act prior to 2026 will have missed an opportunity to potentially save millions in taxes. While it is possible that the larger exemptions could be made permanent, it is also possible that the exemptions will be reduced prior to the 2026 sunset date. The IRS has indicated that it won’t seek to “claw back” any use of this additional exemption once it reverts to its old level, so taxpayers who take advantage of the larger exemption now should not face that risk.

## Federal Income Tax Brackets for 2023

The income tax rates have not changed for 2023, but the break points of the various brackets have been adjusted as shown in the charts below. (Note that lower rates continue to apply to income from qualified dividends and capital gains.)

Single Individuals			Married Couples Filing Jointly		
Rate	Taxable Income 2022	Taxable Income 2023	Rate	Taxable Income 2022	Taxable Income 2023
10%	\$0 - \$10,275	\$0 - \$11,000	10%	\$0 - \$20,550	\$0 - \$22,000
12%	\$10,275 - \$41,775	\$11,000 - \$44,725	12%	\$20,550 - \$83,550	\$22,000 - \$89,450
22%	\$41,775 - \$89,075	\$44,725 - \$95,375	22%	\$83,550 - \$178,150	\$89,450 - \$190,750
24%	\$89,075 - \$170,050	\$95,375 - \$182,100	24%	\$178,150 - \$340,100	\$190,750 - \$364,200
32%	\$170,050 - \$215,950	\$182,100 - \$231,250	32%	\$340,100 - \$431,900	\$364,200 - \$462,500
35%	\$215,950 - \$539,900	\$231,250 - \$578,125	35%	\$431,900 - \$647,850	\$462,500 - \$693,750
37%	\$539,900 +	\$578,125 +	37%	\$647,850 +	\$693,750 +

## Retirement Account Contribution Limits for 2023

The maximum contributions for retirement accounts have also increased for 2023 (for the most part). Consider adjusting your pay-ins accordingly in order to maximize these tax-efficient savings.

	2022	2023
<b>401(k) (and similar) (under age 50)</b>	\$20,500	\$22,500
<b>401(k) "Catch-up Contributions" (those age 50+)</b>	\$6,500	\$7,500
<b>IRA (under age 50)</b>	\$6,000	\$6,500
<b>IRA "Catch-up Contributions" (those age 50+)</b>	\$1,000	\$1,000

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