

The new year brings with it new tax-savings opportunities, including opportunities for tax-free gifts and extra time for tax-free growth of assets in retirement accounts. The charts below show the larger gift and estate tax figures, as well as this year's federal income tax brackets. Certain strategies and tips to consider in your tax planning this year are discussed below, including new opportunities created by the passage of the SECURE Act of 2022.

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. The 2023 figures reflect the annual inflation adjustments from the Internal Revenue Service.

	2022	2023	2026*
Gift and Estate Tax Exemption	\$12,060,000	\$12,920,000	\$6,800,000**
Generation-Skipping Tax Exemption	\$12,060,000	\$12,920,000	\$6,800,000**
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*

***Estimated*

****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 – The “annual exclusion” now allows 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.
- Make Use of the Larger Transfer Tax Exemption, Including Inflation Adjustment – With higher inflation rates, there was a significant bump to the annual inflation-adjusted estate/gift tax exemption and the generation-skipping transfer (GST) tax exemption. These exemptions increased to \$12,920,000 in 2023 (up from \$12,060,000). Married couples are now able to give away \$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 in the assets to pass to the recipients tax-free. Beginning in 2026, these

exemptions are scheduled to be cut in half (approximately) from their current levels. Anyone in a position to take advantage of these larger exemptions who does not act prior to 2026 risks missing a potential opportunity to 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 will not seek to “claw back” any use of this additional exemption once it reverts to its old level.

- Gifts During a Down Market – 2023 may prove to be a tough year for those invested in the stock market. While a down market is not ideal for investors, it provides a good opportunity for making gifts of stock. Making gifts of high quality stocks during a down market allows for a transfer at a lower valuation, using less exemption, even as donors can anticipate that such investments will increase significantly for the recipient as the market returns to growth. This can be especially true where the gift of stock is made to a trust intended to be a long-term vehicle.

Federal Income Tax Brackets for 2023

Federal 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 Planning

The SECURE Act of 2022 (SECURE 2.0) raised the age at which required minimum distributions (RMDs) must be taken. Beginning January 1, 2023, RMDs must begin at age 73 (up from age 72). The extra year can allow extra tax-free growth of assets in the retirement accounts. *For more details on the changes under SECURE 2.0, see [Important Retirement Account Changes Under the SECURE 2.0 Act of 2022](#).*

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

Charitable Planning with Retirement Accounts

Before SECURE 2.0, retirement plan owners who were at least age 70 ½ had the ability to give up to \$100,000 per year to charities directly from their IRAs as qualified charitable distributions (QCDs). Such QCDs would count towards a plan owner's RMD and not be included in the plan owner's taxable income. SECURE 2.0 will adjust that \$100,000 for inflation beginning in 2024, but starting in 2023, SECURE 2.0 also permits a QCD of up to \$50,000 per lifetime (not annually) to certain "life income" charitable vehicles, such as charitable gift annuities, charitable remainder unitrusts and charitable remainder annuity trusts. These strategies allow a plan owner to take a charitable deduction while receiving annual income payments. *For more details on the expanded opportunities for charitable giving with retirement assets, see [Expanded Opportunities for Charitable Giving with Retirement Assets](#).*

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