

IRS Announces Higher 2019 Estate And Gift Tax Limits



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Retirement

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The Internal Revenue Service announced today the official estate and gift tax limits for 2019: The estate and gift tax exemption is \$11.4 million per individual, up from \$11.18 million in 2018. That means an individual can leave \$11.4 million to heirs and pay no federal estate or gift tax, while a married couple will be able to shield \$22.8 million. The annual gift exclusion amount remains the same at \$15,000.

For the ultra rich, these numbers represent planning opportunities. For everybody else, they serve as a reminder: Even if you don't have a taxable estate, you still need an estate plan.

The IRS announced the new inflation-adjusted numbers in [Rev. Proc. 2018-57](#). For more details, contributor Kelly Phillips Erb has all the details on [2019 tax brackets](#), standard deduction amounts and more. We have all the details on the new higher [2019 retirement account limits](#) too.

The Trump tax cuts slashed the number of estates subject to the federal estate tax, by doubling the exemption amount from a base level of \$5 million per person. So, there were only an estimated 1,890 taxable estates in 2018 (according to the [Tax Policy Center](#)). That compares with 4,687 taxable estates in 2013 reflecting a base \$5 million exemption, and 52,000 taxable estates in 2000 when the exemption was \$675,000 (Table 2, JCT 2015 [Wealth Transfer Tax System Report](#)).

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For now, death tax foes are trying to make the new doubled exemption amounts permanent; the Trump tax cuts are scheduled to expire at year-end 2025. “Permanence [of the doubled exemption] would make the score of repeal much cheaper and provide predictability,” says Palmer Schoening of the anti-death tax Family Business Coalition, noting that the ultimate goal is still to repeal the estate tax. The mid-term elections, however, put a damper on the viability of Tax Reform 2.0, the Republicans’ latest push to make that doubled exemption permanent.

In the meantime, the wealthy will continue to plan around the estate tax, whittling down their estates with lifetime wealth transfer strategies to keep below the new threshold and avoid the 40% federal estate tax. Now, a couple who has used up every dollar of their exemption before the increase has another \$440,000 of exemption value to pass on tax free. For planning tips, see [Trusts In The Age of Trump: Time To Re-Engineer Your Estate Plan](#).

What about the \$15,000 annual exclusion amount? You can give away \$15,000 to as many individuals as you’d like. A husband and wife can each make \$15,000 gifts. So, a couple could make \$15,000 gifts to each of their four grandchildren, for a total of \$120,000. Lifetime gifts beyond the annual exclusion amount count towards the \$11. million combined estate/gift tax exemption. See [The Gift Tax Return Trap And How To Avoid It](#).

Warning: The \$22.8 million number per couple isn’t automatic. An unlimited marital deduction allows you to leave all or part of your assets to your surviving spouse free

federal estate tax. But to use your late spouse's unused exemption – a move called “portability”—you must elect it on the estate tax return of the first spouse to die, even when no tax is due. The problem is if you don't know what portability is and how to elect it, you could be hit with a surprise federal estate tax bill.

And note, if you live in one of the 17 states or the District of Columbia that levy separate estate and/or inheritance taxes, there's even more at stake, with death taxes sometimes starting at the first dollar of an estate. Several states were in line to match the federal exemption amount for 2018, but state legislators determined the new doubled exemption was just too high. See [States Rebel, Won't Conform To Trump's Estate Tax Cuts](#). Most states haven't announced their inflation-adjusted numbers yet for 2019, but we'll keep you posted.

Update: Here's the latest on state death taxes: [Where Not To Die In 2019](#)



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