

KIRKLAND & ELLIS

Kirkland Alert

Wealth Transfer Planning Update

26 January 2023

1. Gift Tax Exemption Amounts Increased by \$860,000

On January 1, 2023, the inflation adjustments to the gift, estate and generation-skipping transfer tax (GST) exemptions increased to \$12.92 million per person or \$25.84 million combined for a married couple. This is an \$860,000 increase from the 2022 exemption amounts, which were \$12.06 million per person or \$24.12 million combined for a married couple. These exemptions will continue to annually increase with inflation but will be reduced by 50% at the end of 2025 (e.g., to \$7 million if the exemptions have increased to \$14 million by then). Clients should consider making gifts to fully use the gift/estate/GST exemptions before they are reduced on December 31, 2025.

2. Annual Exclusion Amounts are Increased in 2023

Each year, you should consider making annual exclusion gifts to or in trust for each of your children, grandchildren and others you wish to benefit. Effective January 1, 2023, the annual exclusion increased to \$17,000 per recipient, or \$34,000 from a married couple, up from \$16,000 (or \$32,000 from a married couple) in 2022. The annual exclusion does not count against the lifetime gift tax exemption and is lost if not used each year.

3. Interest Rates Continue to Rise

The Applicable Federal Rates (AFRs) and Section 7520 rate have been rising. The AFRs listed below dictate the interest rate charged for loans to family members or trusts for their benefit. The Section 7520 rate is used to calculate annuity payments for Grantor

Retained Annuity Trusts (GRATs). The Section 7520 rate for January 2023 is 4.6%. If you are considering the GRAT strategy, selling an asset to your grantor trust in exchange for a note or making a loan to a trust or family member, consider locking in the rate before it increases further.

Applicable Federal Rates

	Short-Term (less than 3 yrs)	Mid-Term (more than 3yrs/less than 9 yrs)	Long-Term (more than 9yrs)
January 2023	4.50%	3.85%	3.84%
February 2023	4.47%	3.82%	3.86%

If you would like to schedule a time to discuss your wealth transfer planning or to review your current estate plan, please contact a member of the Trusts & Estates Group.

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Related Services

Practices

- Trusts & Estates

Suggested Reading

- 13 January 2023 Article RUFADAA, Bitcoin and Fiduciaries: Finding the True Meaning of 'Digital Assets' in Estates and Trusts
- 19 December 2022 Article Tangible or Intangible?
- 09 November 2022 - 11 November 2022 Speaking Engagement 48th Annual Notre Dame Tax & Estate Planning Institute

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