

CLIENT ALERT

2025 Gifting Exemptions and Planning Considerations

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AUTHORS

Jillian E. Merns | Sarah H. Abel

There have been significant opportunities for estate planning since the Tax Cuts and Jobs Act of 2017 (“TCJA”) approximately doubled the lifetime gift, estate and generation skipping transfer (“GST”) tax exemptions in 2018. As of January 1, 2025, each of these exemptions (which are indexed to inflation) is \$13,990,000 per person, or \$27,980,000 per married couple. This represents a \$380,000 increase per person, or \$760,000 increase per couple from 2024. If you have exemption available, we advise that you consider using it this year. By using the exemption now, you can ensure that all future appreciation on the transferred assets occurs outside of your taxable estate. Furthermore, under present law, the exemptions will decrease to the pre-TCJA level beginning in 2026; this is estimated to be approximately \$7,000,000 per person, or \$14,000,000 per married couple, taking into account the inflation adjustment.

We expect that Congress will propose legislation that will extend many provisions of the TCJA that are set to expire at the beginning of 2026, including the increased gift, estate and GST tax exemptions. However, it is not certain whether such legislation will be passed, and even if it is, we may not know if the increased exemptions will be extended prior to the end of the year. We are monitoring developments closely. We advise that you start thinking about 2025 gifts now so that you will have sufficient time to complete your gifts this year if the exemptions revert to

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the pre-TCJA level. This is particularly the case if you wish to transfer illiquid assets that require third-party valuations or if you have not yet created any trusts or other estate planning vehicles to receive your gift. We expect that trust companies and banks will be delayed in opening new accounts at the end of the year due to a high volume of requests if uncertainty about the exemption levels is not resolved in the near-term.

The amount that can be gifted tax-free under the annual exclusion has also increased in 2025 to \$19,000 per recipient, or \$38,000 per married couple (if gifting jointly or gift splitting), up from \$18,000 and \$36,000, respectively, in 2024. If you would like to make gifts to family members who are minors but do not want to make a direct gift, you may wish to consider other options, including annual exclusion trusts, custodial accounts and 529 plans.

Please reach out if you would like to discuss your gifting options.

If you have any questions regarding this client alert, please contact the Willkie attorney with whom you regularly work or one of the following attorneys:

New York

David J. McCabe

212 728 8723
dmccabe@willkie.com

David J. Posner

212 728 8780
dposner@willkie.com

Jillian E. Merns

212 728 8718
jmerns@willkie.com

Ani Hovanessian

212 728 8380
ahovanessian@willkie.com

Donna P. Margolis

212 728 8778
dmargolis@willkie.com

Sarah C. Fenstermaker

212 728 8355
sfenstemaker@willkie.com

Chicago

Barbara Grayson

312 728 9030
bgrayson@willkie.com

Anne E. Brynn

312 728 9017
abrynn@willkie.com

Gina Oderda

312 728 9113
goderda@willkie.com

Roni J. Cohen

312 728 9023
rcohen@willkie.com

Los Angeles

Michele M. Mulrooney

310 855 3030
mmulrooney@willkie.com

Andrew Copans

310 855 3040
acopans@willkie.com

Jonathan C. Lurie

310 855 3050
jlurie@willkie.com

Justin Alt

310 855 3017
jalt@willkie.com

San Francisco

Kristine Waggener

415 858 7471
kwaggener@willkie.com



BRUSSELS CHICAGO DALLAS FRANKFURT HOUSTON LONDON LOS ANGELES MILAN
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