

## Alert

### 2022: Out with the Old, In with the New (Tax Figures)

As 2021 comes to a close, we at Bove & Langa want to wish you a happy holiday season and a happy new year, and to take this opportunity to preview what we have to look forward to in 2022. The IRS has released the adjusted dollar amounts for 2022 across many areas of the federal tax code – which is exciting to some of us, believe it or not! Below are a few selected changes that may be particularly relevant for our clients and for advisors in the estate planning field:

- *Lifetime Exemption from Gift and Estate Tax:* The total amount that an individual can gift during their life or pass to their heirs at death before incurring any gift or estate tax liability is increasing to \$12,060,000 in 2022, up from the current exemption of \$11,700,000. Note, however, that this lifetime exemption amount is scheduled to decrease to \$5,000,000, adjusted for inflation, in 2026, unless action is taken by Congress.
- *Generation-Skipping Transfer Tax (GSTT) Exemption:* There is also a lifetime exemption available from the Generation-Skipping Transfer Tax (GSTT), which is an additional tax on gifts or bequests to individuals that are more than one generation removed from the gift giver (from a grandparent to a grandchild, for example). This exemption amount mirrors the lifetime exemption from gift and estate tax, and will therefore also be increasing to \$12,060,000 in 2022, up from the current exemption of \$11,700,000.
- *Annual Exclusion from Gift Tax:* Beginning in 2022, an individual will be able to gift up to \$16,000 per year, per recipient, without using up any of their lifetime exemption amount. This is up from the current exclusion amount of \$15,000. Remember that this exclusion applies to each individual making a gift and is assessed on a per recipient basis. For example, a married couple will be able to gift up to \$64,000 to their child and the child's spouse (\$16,000 from Parent 1 to Child, \$16,000 from Parent 1 to Child's Spouse, \$16,000 from Parent 2 to Child, and \$16,000 from Parent 2 to Child's Spouse).
- *Annual Exclusion from Gift Tax (Gifts to Non-Citizen Spouse):* While there continues to be unlimited tax-free gifting available for gifts made to a U.S. Citizen spouse, this does not

apply to gifts made to a Non-Citizen Spouse. Instead, a large annual exclusion is allowed for gifts to a Non-Citizen Spouse before any of the gift giver's lifetime exemption is used. In 2022, this annual exclusion will be \$164,000, up from this year's figure of \$159,000.

Of course, a number of other amounts in the tax code have also been adjusted for 2022. For those interested, the full list of adjustments can be found in Revenue Procedure 2021-45, a copy of which is available on the IRS website.

As to Massachusetts, there are no changes. Massachusetts continues to have a \$1 million filing threshold for estate tax purposes, does not impose a state tax on gifts, and does not impose a state tax on transfers that skip a generation.

We hope that the end of 2021 sees you happy and healthy, and we wish you all the best in 2022.



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