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Increase in 2025 Estate Exemption – IRS Issues 2025 Inflation Adjustments

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The IRS recently issued the 2025 annual adjustments for numerous tax provisions, including changes to tax brackets and standard deductions. Popular adjustments include:

- Estates of decedents who die during 2025 will have a basic exclusion amount (i.e., an estate and gift tax exemption) of \$13,990,000, which is an increase of \$380,000 from the current exclusion amount of \$13,610,000. Taxpayers who are using lifetime gifts as a way to decrease their taxable estates can use this increase to remove additional wealth from their gross taxable estates.
- The annual exclusion for gifts will increase to \$19,000 for calendar year 2025, which is an increase of \$1,000 from the current amount. This means that gifts to any person of \$19,000 or less in 2025 will not require the filing of a gift tax return. For couples who elect to gift split on a gift tax return, this means they can gift a total of \$38,000 per year per donee in 2025, without using any of their lifetime exclusion amount. Please note: There is no gift tax incurred unless and until you give more than your lifetime exclusion amount, which, for 2025, is \$13,990,000.
- The standard deduction for married couples filing jointly for tax year 2025 will rise to \$30,000, up \$800 from 2024. For single taxpayers and married individuals filing separately, the standard deduction will rise to \$15,000 for 2025, up \$400 from the current amount, and for heads of households, the standard deduction will be \$22,500 for tax year 2025, which is an increase of \$600.
- Marginal Rates: For tax year 2025, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$626,350 (\$751,600 for married couples filing jointly). The other rates are:
 - 35% for incomes over \$250,525 (\$501,050 for married couples filing jointly)
 - 32% for incomes over \$197,300 (\$394,600 for married couples filing jointly)
 - 24% for incomes over \$103,350 (\$206,700 for married couples filing jointly)
 - 22% for incomes over \$48,475 (\$96,950 for married couples filing jointly)

- 12% for incomes over \$11,925 (\$23,850 for married couples filing jointly)
- The lowest rate is 10% for incomes of single individuals with incomes of \$11,925 or less (\$23,850 for married couples filing jointly)
- For the taxable years beginning in 2025, the dollar limitation for employee salary reductions for contributions to health flexible spending arrangements (FSA) will increase to \$3,300. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover amount will be \$660, which is an increase of \$20 from the current amount.

This information and additional details can be found on the [IRS website](#).