



## Gift and Estate Taxes

The gift tax and estate tax share a lifetime exemption. Transfers made during life or through the estate are applied against this exception. If the exemption is exceeded, estate or gift tax is due. In 2024, this exemption was \$13.99 million, and it is set to increase to \$15 million for 2025, which will also be indexed for inflation.

### Gift Tax

Within the federal gift tax system, certain transfers can be made gift-tax-free without impacting your lifetime gift exemption. This includes the following:

- Gifts to your U.S. citizen spouse
- Gifts of up to \$190,000 to a noncitizen spouse
- Gifts to qualified charities
- Gifts of up to \$19,000 to any one person or entity during the tax year, or \$38,000 if the gift is made jointly by spouses who are both U.S. citizens
- Amounts paid directly to an educational institution for tuition, or to a medical provider for someone's medical expenses

Gifts may still need to be reported on your tax return, even if no gift tax is due. Any gifts made outside the categories above must be reported on Form 709 and will reduce your lifetime exemption, unless you elect to pay the gift tax.

### Estate Tax



To calculate potential estate tax, begin by determining your *gross estate*: the total value of everything you own. From the gross estate, subtract any amounts going to a U.S. citizen spouse or to charitable organizations, as these transfers are excluded from estate tax. The amount remaining after these exclusions becomes your *taxable estate*.

If your taxable estate is less than the lifetime exemption, no federal estate tax is due on the transfer of your assets. Assets exceeding the exemption are subject to federal estate tax.

Married individuals who do not use their full exemption can transfer the remaining amount to their spouse by electing portability on Form 706. This provides the surviving spouse with a larger exemption, in case the value of assets increases.

Note that even if assets are not subject to estate tax, they may still be taxable to beneficiaries.

## State Gift and Estate Tax

Outside the federal system, about 18 states have a gift or estate tax for their residents. These state exemptions can differ significantly from the federal exemption, so it is important to know the rules in your state. Some states also may have an inheritance tax, which is levied on the recipient and varies based on their relationship to the decedent.

## Federal Generation-Skipping Tax

The federal generation-skipping transfer tax applies to property transfers made either during your lifetime or at death to individuals who are at least two generations younger than you—typically grandchildren or other similarly related beneficiaries. This tax is assessed in addition to, not in place of, the federal gift and estate taxes.

### Sources:

[Estate and Gift Tax FAQs | Internal Revenue Service](#)

[Estate tax | Internal Revenue Service](#)

[Gift tax | Internal Revenue Service](#)

[Instructions for Form 706 \(09/2025\) | Internal Revenue Service](#)

[Instructions for Form 709 \(2024\) | Internal Revenue Service](#)

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