ALERTS | 11.01.2022

IRS Releases Annual Inflation Adjustments for Tax Year 2023

The Internal Revenue Service recently released annual inflation adjustments for 2023. They include increased gift, estate, and generation-skipping transfer ("GST") tax exemptions and annual gift tax exclusions, increased retirement account limits, and new income tax brackets.

Here are the key figures:

- The lifetime gift, estate, and GST tax exemptions will increase to $12.92 million for an individual, a significant increase from $12.06 million currently. This means that a married couple will have $25.84 million of available exemption, up from $24.12 million in 2022. High net worth clients who have already used up their entire exemptions may wish to consider making additional gifts up to $860,000 ($1,720,000 for a married couple) in 2023 to lock-in the inflation-adjusted amount.
- The annual gift tax exclusion has increased from $16,000 to $17,000. As a result, starting in 2023 individuals will be able to give $17,000 per year per recipient ($34,000 for a married couple) to any number of recipients, completely free of gift or estate taxes.
- The annual gift tax exclusion for gifts to non-US citizen spouses has increased from $164,000 to $175,000. This provision applies only to couples where one of the spouses makes a gift to the other, and the recipient is not a US citizen. By contrast, gifts made directly from one spouse to a US citizen spouse are not taxable at any amount.
- The top individual tax rate for ordinary income (37%) will apply on 2023 income over $578,125 for individuals, $693,750 for married couples filing jointly, and $14,450 for trusts and estates. In 2022, these thresholds were as follows: $539,900 for individuals, $647,850 for married couples filing jointly, and $13,450 for trusts and estates.
- The maximum annual contribution to 401(k) (and similar) plans will be $22,500, up from $20,500 in 2022. The separate limit for IRA contributions will increase to $6,500, up from $6,000 in 2022.

We will continue to monitor any further developments, and we invite you to reach out to any member of your Choate team for guidance.

© 2026 Choate Wealth | Two International Place, Suite 3000 | Boston, MA 02110 | 617-248-5000

Disclaimer: Legal advice and related services are performed by Choate Hall & Stewart LLP ("Choate"). Investment management advice is provided through our subsidiary, Choate Investment Advisors ("ChoateIA"), a SEC-registered investment advisor.