

Swan Songs: Gifting, Simplified

Swan Songs is a series designed to explain important estate planning concepts to advisors and their clients in an easily digestible way.

Authors Date Topic

Holly Swan 8/28/2025 Tax Management

Gifting, Simplified

The federal estate and gift tax *unified credit* and the *gift tax annual exclusion*—two independent, tax-advantaged methods for transferring wealth—have one important attribute in common: They allow individuals to gift certain amounts to recipients without incurring any federal gift tax obligations. Below, we explain how each one works.

The federal estate and gift tax unified credit—also known as the *lifetime exemption*—allows individuals to transfer a certain amount of their estate free of federal tax either during life or upon death. As of 2025, this exemption amount is set at \$13.99 million per individual, allowing couples to combine their exemptions to shield up to \$27.98 million from estate and gift taxes. Per the One Big Beautiful Bill Act, the exemption amount will increase to \$15 million per individual in 2026.

In contrast, the gift tax annual exclusion allows individuals to give a certain amount to recipients each year without incurring federal gift tax or using any of their lifetime exemption. As of 2025, the annual exclusion amount is set at \$19,000. This means that an individual can gift up to \$19,000 to as many people as they wish without triggering any federal gift tax obligations. Married couples may choose to each give \$19,000 or jointly give up to \$38,000 per recipient and elect to split those gifts.

The unified credit is used for gifting amounts that exceed the gift tax annual exclusion amount. For example, if an unmarried individual (the grantor) gives \$19,000 to each of their three children in a given year, those gifts do not reduce the grantor's lifetime exemption. However, if the grantor instead gives \$20,000 to one child in 2025, the \$1,000 that's above the annual exclusion would count against the grantor's lifetime exemption.

Any portion of the unified credit that's not used during an individual's lifetime will be applied toward the value of their taxable estate at death. Estates valued at less than the amount of the remaining unified credit won't owe federal estate taxes.

Due to uncertainty over the TCJA's possible sunsetting, many concerned families have been choosing to make large gifts *now* in order to lock in the current unified credit amount. An additional benefit of making large gifts during life is that once gifted, any future appreciation on the gifted asset will occur outside of the grantor's taxable estate.

Once an asset is gifted, any future appreciation on the gifted asset will occur outside of the grantor's taxable estate. However, no matter whether individuals are considering the unified credit or the gift tax annual exclusion—or a combination of both—it's important to be aware that gifted assets typically retain the grantor's cost basis while inherited assets typically receive a step-up in basis. For this reason, it's important to examine any built-in capital gains consequences when gifting assets other than cash.

ALL-08222025-yf4ep5gl

Allspring Global Investments does not provide accounting, legal, or tax advice or investment recommendations. Any tax or legal information on this page is merely a summary of our understanding and interpretations of some of the current income tax regulations and is not exhaustive. Investors should consult their tax advisor or legal counsel for advice and information concerning their particular situation.

This material is provided for informational purposes only and is for professional/institutional and qualified clients/investors only. Not for retail use outside the U.S. Recipients who do not wish to be treated as professional/institutional or qualified clients/investors should notify their Allspring contact immediately.

THIS CONTENT AND THE INFORMATION WITHIN DO NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION WHERE OR TO ANY PERSON TO WHOM IT WOULD BE UNAUTHORIZED OR UNLAWFUL TO DO SO AND SHOULD NOT BE CONSIDERED INVESTMENT ADVICE, AN INVESTMENT RECOMMENDATION, OR INVESTMENT RESEARCH IN ANY JURISDICTION.

INVESTMENT RISKS: All investments contain risk. Your capital may be at risk. The value, price, or income of investments or financial instruments can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Past performance is not a guarantee or reliable indicator of future results.

Allspring Global InvestmentsTM (Allspring) is the trade name for the asset management firms of Allspring Global Investments Holdings, LLC, a holding company indirectly owned by certain private funds of GTCR LLC and Reverence Capital Partners, L.P. These firms include but are not limited to Allspring Global Investments Luxembourg, S.A.; Allspring Funds Management, LLC; Allspring Global Investments, LLC; Allspring Global Investments (UK) Ltd.; Allspring Global Investments (Singapore) Pte. Ltd.; Allspring Global Investments (Hong Kong) Ltd.; and Allspring Global Investments (Japan) Ltd.

Unless otherwise stated, Allspring is the source of all data (which is current or as of the date stated). Content is provided for informational purposes only. Views, opinions, assumptions, or estimates are not necessarily those of Allspring or their affiliates and there is no representation regarding their adequacy, accuracy, or completeness. They should not be relied upon and may be subject to change without notice.

© 2025 Allspring Global Investments Holdings, LLC. All rights reserved.