Inflation-adjusted 2015 figures for transfer tax and foreign items

Using the CPI for Aug. 2014 (and the preceding 11 months), RIA calculated and reported in a separate article the increases for 2015 to the break points in the income tax brackets, the standard deduction amounts, the personal exemption amount, and a number of other items. This article provides RIA-calculated adjustments for 2015 for transfer tax and foreign items.

Unified estate and gift tax exclusion amount. For gifts made and estates of decedents dying in 2015, the exclusion amount will be $5,430,000 (up from $5,340,000 for gifts made and estates of decedents dying in 2014).

Generation-skipping transfer (GST) tax exemption. The exemption from GST tax will be $5,430,000 for transfers in 2015 (up from $5,340,000 for transfers in 2014).

Gift tax annual exclusion. For gifts made in 2015, the gift tax annual exclusion will be $14,000 (same as for gifts made in 2014).

Special use valuation reduction limit. For estates of decedents dying in 2015, the limit on the decrease in value that can result from the use of special valuation will be $1,100,000 (up from $1,090,000 for 2014).

Determining 2% portion for interest on deferred estate tax. In determining the part of the estate tax that is deferred on a farm or closely-held business that is subject to interest at a rate of 2% a year, for decedents dying in 2015, the tentative tax will be computed on $1,470,000 (up from $1,450,000 for 2014) plus the applicable exclusion amount.

Increased annual exclusion for gifts to noncitizen spouses. For gifts made in 2015, the annual exclusion for gifts to noncitizen spouses will be $147,000 (up from $145,000 for 2014).

Reporting foreign gifts. If the value of the aggregate "foreign gifts" received by a U.S. person (other than an exempt **Code Sec. 501(c)** organization) exceeds a threshold amount, the U.S. person must report each "foreign gift" to IRS. (**Code Sec. 6039F(a)**) Different reporting thresholds apply for gifts received from (a) nonresident alien individuals or foreign estates, and (b) foreign partnerships or foreign corporations. For gifts from a nonresident alien individual or

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foreign estate, reporting is required only if the aggregate amount of gifts from that person exceeds $100,000 during the tax year. For gifts from foreign corporations and foreign partnerships, the reporting threshold amount will be $15,601 in 2015 (up from $15,358 for 2014).

Expatriation. For 2015, an individual with "average annual net income tax" of more than $160,000 for the five tax years ending before the date of the loss of U.S. citizenship will be a covered expatriate (up from $157,000 for 2014). Under a mark-to-market deemed sale rule, all property of a covered expatriate is treated as sold on the day before the expatriation date for its fair market value. However, for 2015, the amount that would otherwise be includible in the gross income of any individual under these mark-to-market rules will be reduced by $690,000 (up from $680,000 for 2014).

Foreign earned income exclusion. The foreign earned income exclusion amount will increase to $100,800 in 2015 (up from $99,200 in 2014).

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