12.11.23 | INSIGHTS

# Inflation's Impact on 2024 Contribution Limits and What Hasn't Changed

As we have made well known, we don't like inflation and its creeping, pernicious impact. Inflation generally benefits governments and taxing authorities unless tax provisions are indexed for inflation. For many of our federal tax provisions, inflation adjustments are mandatory. This serves to reduce the bite of taxes on changes in income that may only be inflationary. Annual changes in tax brackets are an example and all taxpayers benefit from these changes without the need for any action.

Beyond tax brackets, many other tax provisions are changed based upon changes in CPI. Examples for 2024 that may be of particular interest to individual taxpayers include the following:

- The annual gift tax exclusion will rise to $18,000 from $17,000.
- The estate exemption equivalent increases to $13.61 million per taxpayer from $12.92 million in 2023.
- Annual IRA and Roth IRA contribution limits increase to $7,000 from $6,000. Catch up contributions of $1,000 for those over 50 are unchanged.
- Employer sponsored plan contribution limits (401(k)s and 403(b)s) go to $23,000. Catch up provisions for those over 50 are $7,500 for 2024.
- The limit on qualified charitable distributions from IRAs will be $105,000, up from $100,000 in 2023.
- Health Savings Account (HSA) contribution limits will be $4,150 for individuals and $8,300 for families in 2024. Catch up contributions for those over 55 remain at $1,000.

These changes are all helpful for taxpayers who use these tools. Consider the contrast with tax code provisions that aren't indexed for inflation. Two examples stand out.

In 1997, the rules around taxation of a house sale changed and married couples were allowed to exclude up to $500,000 of gain from a sale. Had that figure been indexed for inflation, the exclusion today would be more than $1 million. That represents a large and growing tax windfall for the government.

In a similar vein, in 1978 the $3,000 limit for deducting capital losses was placed in the Code and it

## Services

**Financial Planning**

**Investment Management**

## Related Team Members

Jeff Schaefer

Becky Aardal

Lowell Hansen

Kirsten Hollander

Jerome Perkins

Andrea Searle

Henry Schaefer

Dawn Johnson

Gavin Forrest

has never changed. Had it been indexed for inflation; you would be able to deduct more than $13,000 in losses this year.

Leaving these provisions unchanged seems unfair given the current environment. In the meantime, please let us know your thoughts and questions.