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ESTATE PLANNING INSIGHTS



Make the holidays bright for you and your loved ones with annual exclusion gifts

As the holiday season quickly approaches, gift giving will be top of mind. While gifts of electronics, toys and clothes are nice, making tax-free gifts of cash using your annual exclusion is beneficial for both you and your family.

Even in a potentially changing estate tax environment, making annual exclusion gifts before year end can still benefit your estate plan.

Understanding the annual exclusion

The 2017 gift tax annual exclusion allows you to give up to \$14,000 per recipient tax-free without using up any of your \$5.49 million lifetime gift tax exemption. If you and your spouse “split” the gift, you can give \$28,000 per recipient. The gifts are also generally excluded from the generation-skipping transfer tax, which typically applies to transfers to grandchildren and others more than one generation below you.

The gifted assets are removed from your taxable estate, which can be especially advantageous if you expect them to appreciate. That’s because the future appreciation can also avoid gift and estate taxes.

Making gifts in 2017 and beyond

Be aware that time is running out to make annual exclusion gifts this year: December 31 is the deadline. It’s also important to know that next year the exclusion amount increases for the first time since 2013, to \$15,000 (\$30,000

for split gifts). And the inflation-adjusted gift and estate tax exemption is currently scheduled to increase to \$5.6 million in 2018.

It's also important to keep an eye on Congress. With both the U.S. House of Representatives and U.S. Senate now having released their tax reform bills, more details regarding the potential future of the estate tax have emerged. But what, if any, estate tax law changes are ultimately passed remains to be seen. Even if the estate tax is repealed, it likely won't be permanent. And current proposals retain the gift tax. So making 2017 annual exclusion gifts can still be a tax-smart move.

In the meantime, we can help you determine how to make the most of your 2017 gift tax annual exclusion and keep you abreast of the latest regarding new estate tax laws.

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