Gifts – Better to Give or Receive?

Here is a quick review of gifts. We get many questions on money or property that was gifted. A gift is any asset that you give or transfer to someone else.

1. You can give gifts to anyone; parents, children, relatives, or friends. If you give a gift to anyone person over $14,000, it must be reported to the IRS on Form 709. If you give a gift over $14,000, it is a taxable gift and begins to use up your life-time estate and gift tax exclusion of $5,340,000. Spouses can gift unlimited amounts between each other. Unlimited gifts are also allowed for qualified education and medical payments.

2. A gift is not an income tax deduction, nor is it income to the recipient. The applicable tax is a transfer tax called Estate and Gift tax which is a liability of the grantor once the grantor gives more than his life-time gift exclusion away. The grantor, not the recipient, bears the gift tax liability.

3. The smartest gifts are gifts of appreciable property. If you already own assets in excess of the life-time exclusion, you should keep highly appreciated assets out of your estate and gift them to others when the value is low. Gifts of assets in a Trust are also a little more complex, but have big benefits.

Contact us for more information on navigating gift issues as well as ensuring your personal estate plan ensures the maximum amount gets to beneficiaries.

Follow us on LinkedIn