

Gifting

*“A Christmas tree—the perfect gift for a guy.
The plant is already dead.”*

– Jay Leno –

With the holiday season right around the corner, what better time is there to talk about gifting. Gifting is a great way to show appreciation for the individuals and/or organizations that matter to you. Although gifting may seem simple, there are many things that should be considered when making a gift.

Currently there is federal gift tax, which is designed to prevent people from avoiding estate taxes by giving away all their money before they die. The donor is typically the one who must pay the gift tax if any is due, and the recipient of the gift doesn't have to report it as income for tax purposes. Now there's no need to lose sleep over this if you're giving a \$50 gift card to your children for the holidays, but this could become an issue if you start giving away large sums of money. The 2023 gift tax exclusion amount is \$17,000 per person, so for married couples, the limit is a total of \$34,000. This is the maximum amount you can give a single person each year without reporting it to the IRS. If you give more than this to an individual, you must file a federal gift tax return in the following year.

Just because you file a gift tax re-



turn, doesn't necessarily mean that you'll have to pay gift tax on the excess amount above the annual exemption. Instead, the excess gift will eat into your lifetime estate and gift tax exclusion amount. In 2023, the lifetime exclusion is \$12.92 million, and since it's per person, married couples can exclude double that in lifetime gifts. Here's an example of how this would look: A single man gifts his only child a house worth \$317,000. The first \$17,000 of the gift is taken up by the annual exclusion, and \$300,000 is subtracted from the father's \$12.92 million dollar lifetime estate and gift tax exclusion amount. Now instead of having a

Continued on inside