

“How Much Can I Gift Per Year?”

By Ben Kaup

“How much can I gift per year without paying any tax?” This is one of the most frequently asked questions we get as tax advisors. Most clients have heard of the yearly “limit” of \$15,000 (previously \$14,000) and are worried if they gift more they will be subject to tax on the excess. I find that most clients are surprised when I tell them they will likely never create an **income** or **estate** tax liability if gifting more than the \$15,000 limit. I will go through why below.

- 1. You will not owe any Estate taxes unless your taxable estate exceeds \$11,180,000 individually or \$22,360,000 for married couples upon your death.**
 - a. This is the amount that was just roughly doubled with the 2018 Tax Cuts and Jobs act. It will revert to \$5,490,000 individually and \$10,980,000 for married couples in **2026** when the entire 2018 tax bill sunsets. This exemption amount is subject to change at any time with a change in control of the White House or Congress.
 - b. The exclusion is “portable” amongst you and your spouse. Upon the death of the first spouse their exemption amount transfers to the surviving spouse.
- 2. Each year you can gift a maximum of \$15,000 to any one individual without it counting against the lifetime exemption mentioned above.**
 - a. A married couple could jointly gift \$30,000 per donee without eating up any of their lifetime exemption.

To demonstrate how the gifting exemption works here is an example:

A husband and wife have accumulated a substantial net worth and are concerned their heirs may face an estate tax burden upon the second of their deaths. Their current net worth is roughly \$15 Million, and they would like to begin gifting since they believe one or both spouses will live beyond 2026 (when the exclusion amount reverts to \$10,980,000 for a married couple). They have two children and four grandchildren and would like to gift the maximum yearly amount without using up any of their lifetime exclusion amount. In this case they would be allowed to gift \$30,000 to each of the children and grandchildren (\$15,000 for both husband and wife). In total this would move \$180,000 per year out of their taxable estate without using up any of the exemption. For example, let's say they continue this gifting until both spouses pass away in year 2027. In total they would have gifted 1.8 Million over ten years and their estate upon death is worth 13.2 Million. Their taxable estate value is \$13,200,000 – 10,980,000 (exclusion amount) = 2,220,000. The 2.22 Million is taxed at a 40% top rate. This couple saved \$665,800 in estate taxes by gifting during their lifetime. None of the gifts were taxable to the children and over \$650,000 in wealth was saved using this gifting strategy.

A few other notes regarding estate, gift, and other “death” taxes:

1. Although there may be no Federal estate tax upon your death, Nebraska levies a 1% Inheritance Tax upon your death.
2. The recipient of a gift almost always owes no income tax. The gifted money is typically “post-tax.”

3. If you gift more than the exclusion amount in any given year, ALWAYS consult your tax advisor to see if there are any filing requirements.

Individuals with a net worth exceeding or approaching either the new exemption amount or the old exemption amount should talk with their advisors to see if a gifting strategy could benefit them and their beneficiaries. We specialize in creating plans that will maximize the amount of wealth you are able to keep within your family and would love to help develop a strategy that works for you.

Thanks,

Ben Kaup
Tax Specialist

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