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2006 Gift Tax Exclusion \$12,000

Tax experts are reporting that the annual gift tax exclusion, which has been \$11,000 per person per year since 2002, is expected to increase to \$12,000 effective January 1, 2006. The gift tax exclusion is the amount the Internal Revenue Service allows a taxpayer to gift (with no strings attached) to another individual without incurring gift tax. The tax code permits the gift tax exclusion, which has remained at \$11,000 since 2002, to rise with inflation. This year's inflation figures are anticipated to reach the next threshold. The IRS is expected to make an official announcement of the change by December. The increase means that more can be gifted each year for estate tax planning purposes.

Although the permitted annual \$11,000 exclusion (or less if you so choose) may not seem significant by itself, do not underestimate the cumulative value of this type of gifting program, for instance, to each of your children and grandchildren: the resulting asset shift, when combined with post-gift appreciation and earnings build-up, may be significant!