BERWITZ & DiTATA LLP

Attorneys and Counselors at Law

310 Old Country Road Suite 101
Garden City, New York 11530
Telephone (516) 747-3200 ● Facsimile (516) 747-3727

Lawrence N. Berwitz Maureen R. DiTata

A FOCUS ON GIFTING

With the end of the year approaching, we thought that it would be a good time to focus the articles in this newsletter on gifting and on particular gifting strategies. Apart from the fact that giving gifts benefits our loved ones and enhances their mental and physical well-being, gift giving provides a mechanism for reducing the size of our estate. Not only is the value of the gift itself removed from the estate but any growth in the value of the asset, or appreciation, together with all earnings on the gifted amount are also removed from the estate.

The annual gift tax exclusion permits each of us to gift the sum of $11,000 *per person* this year without incurring a gift tax. Husband and wife may each transfer $11,000 to any number of recipients. However, this is not cumulative. We are not permitted to save this year's exclusion and apply it to a larger gift in a subsequent year. It is a "use it or lose it" opportunity. A gift that exceeds the exclusion amount is taxable to the donor and not the recipient of the gift. From the time the gift is made, the recipient reports all future income earned on the gifted amount. This results in a shift of inter-family income to lower brackets and enhances overall family net worth.

It is always important to coordinate gifting with other asset protection strategies. If you are already engaging in Medicaid asset protection planning, for instance, it is important to inquire, before making gifts that were not considered in the strategy, what effect the annual exclusion gifts will have on the planning.