R.C. THORNTON & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Gifting Before December 31, 2013

The purpose of this email is to inquire as to your interest in doing gifts to family members or other individuals.

Why you might want to make gifts

Done properly, gifting assets is an excellent way to reduce future estate taxes. It is also a way to shift and possibly reduce future income taxes.

You might recall that last year many thought the lucrative tax exemptions for gift & GST (generation skipping tax) would expire at the end of 2012. That did not happen.

For the year 2013 and beyond (unless changed) the exemption is $5.25 million (adjusted for inflation). For a married couple, the exemption would be $10.5 million (as adjusted for inflation).

Will this change and get lowered? We don't know. But viewing the political landscape, we wouldn't be surprised to see this get reduced. Which means that you never know if this is an opportunity that will end!

Although there are many benefits to gifting, there are also some negatives listed below:

- One does not want to gift so much that you have no sources of future income and/or assets.
- There are personal, non-tax reasons for not gifting at this time.

When gift tax returns are required

Before considering the rules for when a gift tax return would be required, please note that the following payments are not considered to be gifts:

- Payments of any medical or education expenses (paid directly to the institution) for an individual.
- Any amount of charitable contributions.

If you made gifts, you are required to file a return when:

- Your gift was more than $14,000 to any individual.
- The combined gifts by you and your spouse to any individual were more than $28,000.
- Note that funds transferred into a trust where you are not the beneficiary may be gifts (e.g. funds to purchase life insurance into a trust with your children as beneficiaries).

If you have made gifts in excess of the amounts above, then there is likely a gift tax return to be filed. Additionally, the filing of the gift tax return may or may not cause a current tax liability. However, in most cases it will reduce the unified credit available for future use.

<u>Please call us if you would like to consider gifting before the end of the year.</u>

If you are interested in doing gifts before the end of the year, please call. We will be glad to explore this technique with you.

However, if we do not hear from you by December 14, 2013 we'll assume you will not be making any gifts.

Regards,

R.C. THORNTON & ASSOCIATES, LLC

Roy C. Thornton, CPA