



Gift Planning

One way to transfer wealth to the next generation is to make gifts. Generally, donors pay gift tax unless they fit into an exception. The most frequently used exception is the annual exclusion.

Taxpayers may give up to the annual exclusion to another individual tax free. In 2019, this amount is \$15,000. For example, if John wishes to give his four children \$15,000 each, he can do so with no tax implications.

What's more, if John is married, his wife could also give their four children \$15,000 each. This way, they can transfer \$120,000 to their children tax free each year. Not only that, but they could each give their eight grandchildren \$15,000, to transfer a total of \$360,000 ($\$15,000 \times 2 \times 12 = \$360,000$).

The \$15,000 gifts are completely tax free, and do not require the taxpayer to file a gift tax return. If John makes the full gift, and Anne agrees to the gifts, they can do what is called "gift splitting." With gift splitting, a married individual is considered to have given half of the total gift, assuming the taxpayer's spouse consents. If the taxpayers either gift split, or give more than \$15,000 to any one donee, then they must file Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return*.

Filing a gift tax return does not mean that the taxpayer has to pay a tax. Each taxpayer has an amount that they can pass through as gifts or transfers at death. Each taxpayer can pass up to \$11,400,000 before they have to actually pay estate or gift tax.

Important Due Dates

- Form 1065 Extension – September 16, 2019
- Form 1120S Extension – September 16, 2019
- Form 1041 Extension – September 30, 2019

Tax Notes

The *Taxpayer First Act* was signed into law on July 1, 2019. It helps protect taxpayers from tax-related identity theft by expanding the ability to obtain an Identity Protection Personal Identification Number (IP PIN) to all taxpayers. The new Act also establishes a single point of contact within the IRS for any taxpayer who is a victim of identity theft. The single point of contact will be responsible for tracking the taxpayer's case to completion and coordinating with other units to resolve the taxpayer's issues as quickly as possible.

The Act also introduces measures to improve overall IRS customer service. It also protects certain low-income taxpayers from more aggressive forms of IRS debt collection.

Did You Know?

The third Sunday in August is National Honey Bee Awareness Day. To make a pound of honey, honeybees gather nectar from two million flowers. They can fly up to six miles, and as fast as 15 miles per hour. They communicate by dancing. When a good source of nectar is found, a bee will return to the hive and show the others where the nectar is with a dance.

Quote Corner

"The way to get started is to quit talking and begin doing."

~ Walt Disney

