

Gift Taxes: Part II - Transcript

Tom Mullooly: In episode 117 we continue our talk, or discussion, on gift taxes and gift tax returns.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly. This is episode number 117. If you haven't watched 116, I suggest that you go back and watch that first. It's only a couple of minutes, but it does give you a good introduction into how gifts ... making gifts and gift tax returns all work.

In this episode, in 117, what we want to talk about is what's the risk of giving someone more than \$15,000 per year? We know that the threshold for giving gifts without having to file a gift tax return is \$15,000. If you give someone, one person, in more than ... If you give one person in one year more than \$15,000, which you're certainly allowed to do, you have to file a gift tax return. Not a big deal, but gift tax return is form 709, is really more of an informational return.

What happens is, is there's no tax due when you file a gift tax return. These all compile. Suppose you make a lot of gifts as you get older and you're giving money away, getting it out of your name. When you pass away and you have to file, or your state has to file, an estate tax return, all those gifts get applied to your estate tax threshold. Follow me now, we're going to do a little math here.

Currently, in 2018, the estate tax threshold is over 11 million dollars. It's 11 million 180,000 thousand dollars per person. That means a married couple can exclude up to a little more than 22 million dollars before they have to file an estate tax ... before they have to pay estate taxes. You probably have to file an estate tax return. Each situation's a little different. Check with your tax advisor on that.

It's important to know that, of that 11 million dollars that you can exclude from your estate tax threshold, your federal estate tax threshold, what's ... that number is going to be reduced by the amount of gifts that you've given over your lifetime that exceed \$15,000 and it's the amount over the threshold, so over \$15,000 that start chipping away at that 11 million dollar threshold. If your estate is going to be five million dollars, six million dollars, seven million dollars, you can give lots of gifts and file a gift tax return each time you do it without really running into a risk of this being a problem.

When could this be a problem? If the federal government ever decides to lower the threshold from 11 million to some kind of lower number. Last year, in 2017, it was just over five million dollars. Now, at 11 million dollars, there's not a lot of people that are going to be subject to estate taxes. When you're making gifts, a lot of people say, "I can only give \$15,000 to my son or daughter this year." Well, you could actually give \$15,000 to your son and your daughter this year. That's \$30,000. If they're married, you can make gifts to their spouses or to anybody else. There's a lot of confusion around gift taxes and gift tax returns.

If you've got questions about this, get in touch with us. You can find us on the web at mullooly.net, or give us a call. Our phone number's 732-223-9000. You can also talk to ... Most

financial planners should be able to walk you through these kind of numbers. They do change from year to year when they tinker with the estate taxes. We haven't really touched on state estate taxes.

That's another topic for another day. Thanks for tuning in and watching episode 117.