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C O U N S E L L O R S A T L A W

Year End Sale on Gift Tax - The Fine Print

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That's right - the gift tax is on sale this year, but the opportunity is closing fast. You have until December 31, 2010 to act on the biggest gift tax sale I have seen in my years of practice. But what is the fine print?

- Each person has a \$1 million exemption from gift tax for gifts during their lifetime in excess of the annual exclusion amounts of \$13,000 per gift recipient per year.
- In 2010 only, gifts over \$1 million are taxed at 35%. In 2009 the tax rate was 45% and its scheduled to go up to a maximum rate of 55% in 2011.
- There is no generation skipping tax on gifts made to grandchildren (or further generations) in 2010. This creates an opportunity to shift wealth from grandma to grand-kids and leave Uncle Sam out in the cold.

So who is this sale targeted at? Families where the oldest generation is "set" financially and can afford to give away dollars now, their children are already independently successful and don't "need" mom and dad's money, and the family goal is to maximize the amounts distributed to future generations.

Many families are surprised at the wealth of the oldest generation - those "old fashioned" values of saving dollars, deferred gratification and not buying things you can't afford has lead to large amounts of wealth. The one year only gift tax sale is worth a family conversation over Thanksgiving to see if planning can be done now to reach the family's goals at a much lower cost.

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