Customized Senior Services to Maintain Lifestyle & Financial Independence

Marcia L. Campbell, CPA

A PROFESSIONAL CORPORATION

Specializing in Elder Care, Trusts & Estates, Taxes & Small Business

Certified Senior Advisor (CSA)® ♦ Elder Care Professional ♦ Accredited Estate Planner (AEP)

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Congress Returns for Year-end Tax Legislation Push

Year-end 2016 is expected to bring a rush of tax-related legislation in Congress. Lawmakers will be up against a December 31st deadline to renew some expiring tax incentives and possibly pass new tax breaks for individuals and businesses. The year may end with what is often called a “Christmas Tree Tax bill,” which is a bill that includes a variety of tax and other provisions.

Some stand-alone tax bills are also expected to come up for vote in Congress before year-end. The bills, if passed, impact individuals, small businesses, farmers and tax administration. They include:

- The Support Small Business R&D Bill, to expand knowledge resources available to startups in connection with using research and development (R&D).
- The Restraining Excessive Seizure of Property Through Exploitation of Civil Asset Forfeiture Tools Bill, which would limit the IRS’s civil asset forfeiture authority.
- The Middle-Income Housing Tax Credit Bill, to provide tax credits to encourage development of affordable housing.
- The Retirement Enhancement and Savings Bill, to expand tax incentives for small employers to create retirement savings plans and repeals the maximum age for contributions to traditional IRAs.
- The Louisiana Flood and Storm Victims Devastation Act, to provide emergency tax relief for persons affected by severe storms and flooding in Louisiana.
- The Farm Risk Abatement and Mitigation Election Act, to authorize agricultural producers to establish and contribute to tax exempt farm risk management accounts.

Any or all of these bills could be part of a year-end tax package. Check our website for updates in the ‘Newsletter’ section of our website, or contact Marcia directly. †

How Do I Make Tax-free Gifts For Tuition?

With the soaring cost of college tuition rising on a yearly basis, tax-free tuition gifts to children and grandchildren can help them afford such an expensive endeavor, as well as save the generous taxpayers in gift and generation skipping taxes. Under federal law, tuition payments that are made directly to an educational institution on behalf of a student are not considered to be taxable gifts, regardless of how large, or small, the payment may be.

Requirements

In order to qualify for the gift tax exclusion, the tuition payments must be made directly to a qualifying organization, which is defined in Code Sec. 170(b). A qualifying organization is an institution that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. Therefore, such organizations are not limited to colleges and universities, but may include various types and levels of education institutions.

The donor of the gift of tuition does not have to be related to the beneficiary for the gift to be considered tax-free. However, the tuition must be directly paid to the institution. The donee may be enrolled either part-time or full-time.

Of important note is that reimbursements for tuition paid by someone else is ineligible for tax-free gift exclusion treatment. Further, a transfer to an irrevocable trust established to pay tuition expenses does not qualify for the unlimited exclusion, even if the trustee makes payments directly to the educational institution. In addition, amounts paid for fees, books, supplies or living expenses while in school do not qualify for tax-free treatment.

Keep in mind that a direct tuition payment might prompt a college to reduce any potential grant award.

Please contact Marcia with any questions.†

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