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7 Things You Should Know About Gift Tax

According to the IRS, a gift is "Any transfer to an individual, either directly or indirectly, where full consideration (measured in money or money's worth) is not received in return."

The gift tax is the responsibility of the person who *gives* a gift (i.e. the donor), and the amount of tax due is based on the value of their gift. The person who receives a gift (i.e. the donee) is generally not responsible for paying the gift tax. However, if the donor does *not* pay the gift tax, the donee may have to pay the tax instead.

1. Gifts to Family Members Count: The gift tax and exclusion limit (below) apply whether you are making the gift to a complete stranger, a nephew, or your own children. The only person you can give a gift to that is exempt from the gift tax is your spouse. Gifts to your spouse qualify for the marital deduction.

2. There Is an Annual Gift Tax Exclusion: You do not have to pay tax on gifts that are less than the annual exclusion limit, which generally changes every year. Currently, the annual exclusion is $14,000 per recipient. In other words, you can give up to $14,000 to each of your children this year without having to pay any gift tax.

3. There Are Also Educational and Medical Exclusions: Payments that you make on someone's behalf for qualified tuition or medical expenses do not count towards the annual limit for gift tax purposes.

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11 Tips For Making Your Charitable Donation Count On Your Taxes

Making a charitable donation is not only a chance to make a difference: it's also an excellent way to reduce your tax burden for the year.

1. Itemize. In order to claim a charitable deduction on your tax return, you must itemize your deductions.

2.Choose carefully. Only donations to qualified charitable organizations are deductible. If you're not sure whether an organization is qualified, ask to see their letter from the Internal Revenue Service (IRS): many organizations will actually post their letters on their website.

3. Remember that donations to individuals will not qualify. You cannot deduct contributions to specific individuals - no matter how deserving. This includes handouts to the homeless and collections at the office or in your neighborhood for those experiencing tough times (including pooled funds for folks who are ill or have experienced a tragedy such as an accident or fire).

4. Get a receipt - even for cash. Cash deductions, regardless of the amount, must be substantiated by a bank record (such as a canceled check or credit card receipt, clearly annotated with the name of the charity) or in writing from the organization. The writing must include the date, the amount and the organization that received the donation. As a best practice, I suggest always asking for a receipt.

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7 Things You Should Know About Gift Tax ....*Continued From Pg 1*

4. You May Need to File a Gift Tax Return (Form 709): In general, you must file a Federal gift tax return (IRS Form 709) if you gave someone more than $14,000 during the year. In some cases, you are required to file Form 709 even if your gift was below the $14,000 annual exclusion. Note that only individuals are responsible for filing gift tax returns — corporations or trusts that make gifts will pass the filing and payment responsibilities onto their individual stockholders or beneficiaries. Additionally, a married couple cannot file a joint gift tax return.

5. Married Couples Can Give Twice As Much: Spouses can each give up to $14,000 to the same recipient and still stay within the annual exclusion threshold. Together, a married couple can give $28,000 to each donee without incurring the gift tax.

6. Each Donor Has a Lifetime Exemption: This refers to the total amount that an individual can give away during their entire lifetime. If your gift exceeds the $14,000 annual threshold, it must be reported as a taxable gift on Form 709 — however, that doesn't necessarily mean you'll have to pay the gift tax. Instead, you can apply the gift towards your lifetime exclusion from the Federal estate tax. The current law allows individuals to give away up to $5.34 million over their lifetime without having to pay gift or estate taxes. You can give someone $14,000 per year and it won't affect your lifetime exemption (because gifts below the annual threshold are not considered taxable). If you exceed the $14,000 annual gift tax threshold, you must file Form 709 and report the amount that counts against your lifetime exemption. You should also hold onto any relevant paperwork so your heirs can properly compute the estate tax later.

7. Promotional Gifts Aren't Considered "Gifts": If you receive a gift as part of a promotion — for example, a car is given away to every member of the studio audience — then it does not count as a "gift" by IRS standards because the giver is getting something in return, namely self-promotion. This means that the tax burden for a promotional gift falls on the recipient (because it increases their wealth) and is not eligible for the annual gift tax exclusion.

Source: irs.com/articles/

Please contact our office for more information.†

What Our Clients Say About Us

"Loved dealing with Marcia and her staff. Very Friendly, professional and taxes finished when promised. Extremely Knowledgeable!"-AB

11 Tips For Making Your Charitable Donation Count On Your Taxes...*Continued From Pg 1*

5. Don't overlook payroll deductions. If you make a contribution by payroll deduction, record keeping requirements under the Pension Protection Act of 2006 require you to retain a pay stub, form W-2 or other document furnished by your employer.

6. Pay attention to the value of any incentives. A charitable donation is deductible only to the extent that the donation exceeds the value of any goods or services received in exchange.

7. Consider donating appreciated assets. Donating property that has appreciated in value, like stock, can result in a double benefit. Not only can you deduct the fair market value of the property (so long as you've owned it for at least one year), you avoid paying capital gains tax.

8. You can't deduct the value of your time. The IRS does not allow a charitable deduction for volunteering your services. Most out of pocket expenses relating to volunteering are deductible so long as they're not reimbursed or considered personal in nature.

9. Document the value of your gift. Good records are always important when it comes to charitable giving but even more so for donations of non-cash items.

10. Limits may apply. Many taxpayers aren't even aware that there are limits on charitable deductions but they do exist.

11. Pay attention to the calendar. Contributions are deductible in the year made. To make it count during the tax year, gifts must be made by December 31.

Source: forbes.com/sites/kellyphillipserb/

Please contact our office for more information.†

You can e-mail us at Toni@MCampbellCPA.com to receive your newsletter by e-mail!