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TIS THE SEASON FOR SMART GIFT GIVING

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It's gift-giving season – especially for those who want to make shrewd income tax and estate planning moves. If you want your gift to be more meaningful than cash, clothes, or video games, then smart strategizing can pay off. Here are some things to consider:

> The greatest gift, bar none, in all the world, is love.
> ***Unknown***

Be generous. You can give up to $11,000 annually to anyone without paying gift tax ($22,000 for married couples giving jointly). However, you might not want to stop there if you don't need the money. Each of us has a $1,000,000 lifetime gift tax credit available. If you give someone more than the $11,000 annual exclusion, then your credit eliminates gift tax until your lifetime "excess" gifts reach $1,000,000. For many, gifting the $1,000,000 early is better than using it to shelter estate taxes at death.

Suppose you own stock worth $1 million. If you keep the stock and it appreciates at 8% annually for 10 years, it will be worth over $2 million and will result in a much larger tax bill. If you give the stock now, then the stock plus all future appreciation is transferred to your loved ones - free of estate and gift tax. Moreover, you can put the stock into a trust containing appropriate restrictions, if you do not want to give your heirs complete control now.

Give property, not cash. While cash tends to get spent, property may appreciate or generate income which can help your heirs achieve financial independence. Giving property also enables you to pass along the tax bill to one whose tax rate may be lower than yours. When you sell an asset at a gain, you owe capital gains taxes. If you give the property, the recipient takes over your tax basis. When the recipient sells, she is taxed at her tax rate. This strategy works very nicely with grandkids, whose tax bracket is usually lower than yours.

Don't give losers. If you have property that has declined in value, sell it instead of giving it away. This will enable you to take the loss deduction on your own tax return. Then, if you want, you can give the cash proceeds. You'll benefit from the tax deduction and your heirs will enjoy the gift.

Give education and medical care. The tax law allows unlimited tax-free gifts for qualified educational and medical expenses. Any amount you pay on behalf of someone else, either as tuition to an educational institution or to pay medical expenses to a medical care provider can qualify. This is a great way to help your children or grandchildren through college or to help your elderly parents get proper medical care.

Report your gifts. When you report and properly disclose gifts on a gift tax return, the 3-year statute of limitations starts running. This can prevent the IRS from coming back years later to claim taxes on gifts previously made. If you don't adequately disclose the gift, then the statute of limitations will not start.

I wish all readers a happy, healthy and gift-filled holiday season!

Note: The information contained in this article does not constitute tax advice and individuals should consult their tax professional for their specific situation.

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