

## *Estate Planning Pitfall*

### **You Don't Meet The Tax Requirements For Splitting Gifts**

The annual gift tax exclusion is a powerful tool in the estate planning toolbox. When using your annual exclusion, you don't owe any gift tax on amounts transferred to another person up to a specified limit. The limit is \$15,000 per recipient for 2021 (the same as it was in 2020). You don't even have to file a gift tax return.

For instance, if you have three adult children and seven grandchildren, you can give each one \$15,000 in 2021, for a total of \$150,000, without any gift tax liability. This reduces the size of your taxable estate without having to use any of your federal gift and estate tax exemption.

Even better, you can double your tax pleasure by "splitting gifts" with your spouse. If he or she joins in the gift, the exclusion increases to \$30,000 per recipient. Therefore, you can effectively shelter \$300,000 from tax in our previous example.

However, you must meet certain requirements for gift splitting. Notably, each spouse must file a gift tax return where the other spouse makes an election to consent to the gift. Your spouse must be a U.S. citizen and you must be married to him or her at the time of the gift.

Also, you must give gifts of a present interest. The exclusion doesn't apply to gifts of a future interest like some gifts through a trust.

Your estate planning advisor can help you to be certain that you're taking all of the necessary steps to make sure that your split gifts comply with tax laws.

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