

Richard A. Courtney, CELA
Certified Elder Law Attorney
4400 Old Canton Road, Suite 220
Jackson, Mississippi 39211
601-987-3000 or 1-866-ELDERLAW
For more Articles, go to: www.elderlawms.com

Gift and Income Tax Exemptions Increasing in 2009

We have often heard clients say “We can give up to \$10,000 to each of our kids each year, right?” Wrong. You can give more. The Internal Revenue Service (IRS) allows any person to give up to \$12,000 (\$24,000 from a couple) per person per year to any number of people, without having to file any return or report such limited gifts to the IRS. This **annual gift tax exclusion** will increase from \$12,000 to \$13,000 effective January 1, 2009, the IRS has announced. The gift tax exclusion is the amount the IRS allows a taxpayer to gift to another individual without reporting the gift. The tax code permits the gift tax exclusion, which has remained at \$12,000 since 2006, to rise when inflation would produce an increase of \$1,000 or more. This year's inflation figures pushed the amount above the next \$1,000 threshold.

The increase means that more can be given away for estate tax planning purposes. For example, a married couple with four children and a taxable estate will be able to give their children up to \$104,000 (\$26,000 x 4) in 2009 with no gift tax implications or filing requirement.

NOTE: The annual gift tax exclusion is not a limit on the amount a person can give to someone else. The parents in the above example can give each child more than \$13,000 in 2009 if they wish. However, since the gifts will exceed the annual exclusion amount, the parents must file a Form 709 gift tax return in 2010 reporting these gifts to the IRS. If the parents' estate (value of all their assets) is less than their combined estate tax exemptions (currently set at \$3.5 million per person in 2009), then they will likely not have to pay any gift tax on the gifts to the children even though they must file the gift tax return.

Some Additional Inflation-adjusted Tax Numbers for 2009

By law, the dollar amounts for a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax benefits, affecting virtually every taxpayer, are being adjusted for 2009. Key changes affecting 2009 returns, filed by most taxpayers in early 2010, include the following:

- The value of each personal and dependency exemption, available to most taxpayers, is \$3,650, up \$150 from 2008.
- The new standard deduction is \$11,400 for married couples filing a joint return (up \$500), \$5,700 for singles and married individuals filing separately (up \$250) and \$8,350 for heads of household (up \$350). Nearly two out of three taxpayers

- take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.
- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$67,900, up from \$65,100 in 2008.
 - The maximum earned income tax credit for low and moderate income workers and working families with two or more children is \$5,028, up from \$4,824. The income limit for the credit for joint return filers with two or more children is \$43,415, up from \$41,646.

Source: <http://www.irs.gov/newsroom/article/0,,id=187825,00.html>