

the applicable exclusion amount. The annual exclusion amount is indexed to keep up with inflation. With proper planning, annual exclusion gifts for many donees may be made to a single trust.

Gift Taxes. For federal purposes, lifetime gifts in excess of the applicable exclusion amount are taxed. The tax rate is the same as the estate tax rate, which is 40%. Minnesota has no gift tax.

THE NEED FOR REVIEW

Estate planning is a continuous process. An estate plan should be reviewed periodically to be sure that it fits the present situation.



*I have held many things in my hands,
and I have lost them all;
but whatever I have placed in God's hands,
that I still possess.*

Martin Luther

If you have made a planned gift in your estate plan, or for more information, e-mail or call Mari Carlson, Director of Development, at 612.821.3150 or mcarlson@mtolivethomes.org.

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ESTATE AND GIFT TAXES



LEAVE YOUR LEGACY
FOR THE MINISTRIES OF
MOUNT OLIVET

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People “leave a legacy” for the Mount Olivet family out of their faith in God and desire to make the world a better place. Nevertheless, it is still important to understand the implications of estate and gift taxes when planning the distribution of your estate.

The federal government and some state governments impose a tax on the transfer of assets, whether the transfer is made during an individual’s life or at death.

Applicable Exclusion Amount. For federal purposes, each person may transfer (by lifetime gifts or at death) a certain amount of property free from gift and estate

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taxes. In 2015, the amount transferable free of gift tax by lifetime gift or free of estate tax at death is \$5,430,000. This amount is known as the

applicable exclusion amount and is adjusted each year to keep up with inflation. Whatever part of the applicable exclusion amount is used for lifetime gifts reduces the applicable exclusion amount available for transfers at death.

If you make taxable gifts during your lifetime, you will owe no gift tax if the total amount of gifts made is less than the applicable exclusion amount available to you in the year of the gifts. However, you must file a federal gift tax return for each year in which you make such gifts. Note that you may still transfer an amount equal to your unused applicable exclusion amount for estate transfers free of estate tax at your death. If you make no taxable gifts during your lifetime, the entire applicable exclusion amount for estate transfers may be transferred free of estate tax at your death.

Minnesota has a separate estate tax with an exempt amount for each person that will reach \$2,000,000 in

2018. In 2015, the Minnesota estate tax exempt amount is \$1,400,000. This means that in some estates there is no federal estate tax payable, but there is Minnesota estate tax payable. For example, in 2015 with a \$2,500,000 taxable estate, there would be no federal estate tax, but a Minnesota estate tax would apply because the value of the assets of the estate exceeds \$1,400,000.

Portability. The estate of the first spouse to die may elect to transfer any part of the federal estate tax applicable exclusion amount not used by the deceased spouse to the surviving spouse. This is referred to as “portability.” However, this election does not apply to any unused Minnesota exempt amount since Minnesota does not have portability. Therefore, without proper planning, spouses may fail to use both of their Minnesota exempt amounts and more Minnesota estate tax could be payable on the death of the surviving spouse than is necessary.

Unlimited Marital Deduction. Generally, all transfers between spouses either during lifetime or at death are free of gift or estate tax regardless of the size of the transfer. This is called the marital deduction and is in addition to the amount exempt from estate tax.

Annual Exclusion. There is an annual (i.e., available each year) exclusion from federal gift taxes for the first \$14,000 given to any individual.

No federal gift tax return needs to be filed if the gift to any one person is less than the annual exclusion. The number

The number of individuals to whom \$14,000 may be given each year free of gift tax is unlimited.

of individuals to whom \$14,000 may be given each year free of gift tax is unlimited. Alternatively, one spouse may give up to \$28,000 per individual without gift tax so long as the other spouse joins in the gift. This “gift splitting” is done by filing a gift tax return signed by both spouses for the year of the gift. If a gift to an individual exceeds the annual exclusion, then the excess will be counted against