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## **MISTAKES AND MISCONCEPTIONS: USING THE GIFT TAX EXCLUSION**

*Estate planning, whether simple or complex, requires careful attention to details which, if overlooked or misunderstood, can undermine the plan's effectiveness. We will devote space in each issue to highlight common estate planning mistakes and misconceptions.*

Many people mistakenly believe that they can make gifts of up to \$10,000 a year without incurring a gift tax. The good news is that the annual gift tax exclusion permits each of us to gift the sum of \$12,000 per person this year. This is because the annual gift tax exclusion has been increased to keep up with inflation. A husband and wife are each permitted to transfer \$12,000 to any number of recipients before year's end, and again next year. Together, they can gift up to \$24,000 per person per year without tapping into their gift tax exemption amounts and without incurring a gift tax. However, this is not cumulative. We are not permitted to save this year's exclusion and apply it to a larger gift in a subsequent year. It is a "use it or lose it" opportunity. A gift that exceeds the exclusion amount is taxable to the donor and not the recipient of the gift.