



LEGACY SERIES®: GIFTING STRATEGIES

Taxes and Tax Avoidance

One Lifetime Coupon: In a lifetime and upon death, a person and their estate can give away up to \$11.7M¹ tax-free under the lifetime estate tax exemption. Think of this as a “coupon” you received at birth. Keep in mind that Congress frequently changes the law. Under current law, the lifetime exemption will drop to \$5.85M beginning 2026.² In addition, the Biden Administration has proposed reducing it to \$3.5M if it can enact new legislation.

Annual Coupon: Each year, everyone can also use an annual “coupon,” the annual gift tax exclusion, of \$15,000 per person, which renews each year. This allows a gift up to \$15,000 tax free to anyone and to as many people as desired, each year. Gifts under the annual exclusion do not count against the lifetime exemption.

Estate Taxes: If property and assets exceed the lifetime exemption, federal taxes of 40 percent will be due.³

- **Example:** If you are single and die with \$12.7M of property in your name, you will owe federal estate tax on \$1M—the amount exceeding the \$11.7M lifetime exemption—or \$400,000 in taxes.
- **Exception:** If you have elected portability, you may use any unused portion of your deceased spouse’s lifetime exemption. This could increase your exemption to \$23.4M, under current law.

Notice: This is general information and should not be relied upon as legal advice. For a free consultation, contact **JohnsonLegal.us** or call **910-319-7373**. (Version: 11/21)

¹ Tax Cuts and Jobs Act P.L. 115-97 (2017).

² *Id.*

³ For assets more than \$1M. North Carolina has neither death tax nor inheritance tax.

5 Gifting Strategies

Here are five gifting strategies to give property to friends, family, or charities tax-free, and/or to reduce estate value to avoid taxes:

Annual Gift Tax Exclusion: Use it now! Not only will you see the blessing of sharing, it will also reduce the value of your estate and avoid estate taxes if currently above the lifetime exemption. For a couple, that’s \$30,000 per year per person of gifting to anyone. Gifts to minors can be facilitated by setting up a minor’s trust.

Unlimited Marital Deduction: A spouse can gift their entire estate to the other spouse at any time or at death and avoid estate taxes. Taxes, however, may still be due upon their death.

Unlimited Tuition or Medical Expenses: Making payments directly to a medical provider or educational institution on behalf of anyone, can be done tax-free and lower the value of an estate.

Unlimited Charitable Donations: Leave a legacy with lifetime giving or at death, without limit, and tax-free, to qualified charities.

529 Education Account: Give as little as \$25 or as much as \$15,000 tax-free using the “annual coupon” which can provide education funding to anyone.

PROTECTING WHAT MATTERS



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