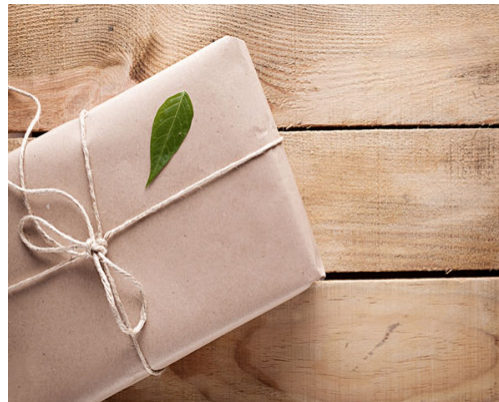




Third Quarter 2020

Now May Be a Good Time to Give Away Assets

The Tax Cuts and Jobs Act, enacted in December 2017, temporarily increased the Basic Exclusion Amount (BEA) from \$5 million to \$10 million for large gifts from estate and gift taxes for tax years 2018 through 2025. Both dollar amounts are adjusted annually for inflation. The tax year 2020 estate and gift tax exemption is \$11.58 million per individual, up from \$11.4 million in 2019. An individual can leave \$11.58 million to heirs and pay no federal estate or gift tax, while a married couple is able to shield \$23.16 million. An unlimited number of annual gifts can be made up to \$15,000 per individual and excluded from gift taxes.



A number of concerns were raised with respect to the BEA because the higher exclusion amount reverts to pre-2018 levels at the end of 2025, barring any subsequent tax law changes. Would that make gifts made during 2018-2025 then taxable at 2026 levels? In November 2019, the Treasury Department and Internal Revenue Service issued final regulations confirming that individuals taking advantage of the increased gift and estate tax exclusion amounts in effect from 2018 to 2025 will not be adversely impacted after 2025 when the exclusion amount is scheduled to drop to pre-2018 levels.

The 2017 tax law and subsequent regulations affect ONLY federal estate and gift taxes. Individual states have their own estate and gift tax requirements. Given the burden of new federal debt resulting from CARES Act and the precarious financial situation of many states resulting from the loss of income during stay-at-home shutdowns, higher taxes seem inevitable. There may even be a greater push to repeal the Tax Cuts and Jobs Act. Asset prices may also be depressed in the current environment stretching the assets that can be included under the \$11.58 million and \$23.16 million limits and increasing the overall tax savings from large gifts. As a result, if you have been considering large gifts, this may be the year to do so.

The preceding is for informational purposes only and should not be considered financial or estate planning advice. Every situation is different. Before you make major gifts, talk with your financial consultant and make certain your decision fits your circumstances. You do not want to damage your own financial security or take a chance on outliving your remaining financial assets. There may also be situations where you are the best administrator for those assets.

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