

Taxation Tidbit
Update on Gifting

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Frequently in business and estate planning it is desirable to transfer ownership of assets between the husband and wife during life. The transfer of assets between spouses may be done to balance the two estates, or in special situations to create unbalanced estates. Additionally, a high-priority objective for many couples is for the surviving spouse to receive all or a significant portion of the assets of the first-to-die spouse. A tax provision known as the marital deduction allows for the unlimited transfer of assets to a spouse during life or at death without any income, gift, or estate tax liabilities.

The unlimited transfer of assets between spouses can also be beneficial when making gifts to other individuals. The annual gift exclusion for 2006 has been increased to \$12,000 per donee. Thus you can gift \$12,000 annually to as many individuals as you are financially able and willing. If your spouse agrees to join you in making the gift, the annual gift exclusion is \$24,000 per donee and the property can be transferred from the husband's assets, the wife's assets, or their joint assets. The marital deduction along with gift sharing are the provisions that basically allow the gifted property to be taken from either the husband's or wife's estate.

As a side note, given that Missouri does not recognize "common-law" marriages, the marital deduction is limited to transfers between a husband and his wife.