

Taxation Tidbit  
**Annual Gift Exclusion Increased for 2002**  
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The annual gift exclusion had been limited to \$10,000 for a number of years. Starting in 2002, each person (donor) can give up to \$11,000 of assets each calendar year to as many people as the donor is financially able and willing - without incurring any federal gift tax liability. The annual gift exclusion provides a means of transferring a substantial amount of wealth out of an estate over a relatively short period of time. Since 1997, the exclusion is indexed and is incremented in \$1,000 units. The \$1,000 increment was reached in 2002 making the exclusion limit \$11,000. Given, the current low rate of inflation, it will likely be several more years before the \$12,000 level is reached.

Gifts to be eligible for the annual exclusion must be gifts of a present interest. To qualify for a gift of present interest, rights to income and enjoyment of the property must be transferred to the donee. For example, the transfer of an asset while retaining the right to the income from that property for the remainder of your life is a gift of a future interest and would not qualify for the annual gift exclusion.