



Annual Gifting



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As we approach the end of the year and come up on the holiday season, a lot of our clients at Bison like to know what to keep in mind when considering gifting. While there are many different gifting strategies that involve trusts, today we will focus on annual gifting to individuals.

In 2024, the annual exclusion amount is \$18,000 for individuals and \$36,000 for married couples. This means that a person can give a gift up to this amount to any person whether it be a family member or not and not have to pay any federal gift tax or file a gift tax return. Once over the annual exclusion amounts, a donor is responsible for at least filing a federal gift tax return on IRS Form 709. The gift tax isn't paid until the total amount reported on a gift tax return exceeds the lifetime gift tax limit for that year. In the year 2024, this limit would be anything in excess of \$13.61 million in gifted assets.

There are a few instances where gift tax generally doesn't apply. Gifts to spouses, charities, or political organizations are generally excluded from gift taxes. If a donor chooses to pay tuition directly to an educational institution for an individual or pay medical expenses for someone directly to a medical provider or facility, those expenses are excluded from the gift tax rule as well.

The annual exclusion does not have to be given in only cash, while that is one of the easiest ways to gift. It applies if giving tangible and intangible property as well including gifts like loan forgiveness, cars, land, percentages of a business, or stock. Annual gifting is a wonderful way to see people enjoy what you have given while you are alive while decreasing the size of your estate.

If you would like to gift stock, take note of the cost basis. If you are gifting stock, it is of most value for the receiver to get high cost basis stock as there would be less tax liability if they were to sell the asset. Reserve your low basis stock for passing onto your heirs as they will get a step up at your death.

In addition to gifting directly to an educational institution for tuition, consider contributing to a 529 account. Again, federal gift taxes will not be triggered if kept to the annual exclusion amounts. However, special 529 rules allow you to use five years of annual exclusions at once for a tax-free gift of up to \$90,000 (joint taxpayers may fund \$180,000) in 2024. Also, you may be able to receive a state income tax deduction or credit for 529 contributions.

If you are interested in speaking with us more about gifting strategies, reach out to us at Bison Wealth where we can help you plan, protect, and prosper.



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Index definitions: “U.S. Large Cap” represented by the S&P 500 Index. “U.S. Small Cap” represented by the S&P 600 Index. “International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index. “Emerging” represented by the MSCI Emerging Markets Net Return Index. “U.S. Aggregate” represented by the Bloomberg U.S. Aggregate Bond Index. “Treasuries” represented by the Bloomberg U.S. Treasury Bond Index. “Short Term Bond” represented by the Bloomberg 1-5 year gov/credit Index. “U.S. High Yield” represented by the Bloomberg U.S. Corporate High Yield Index. “Real Estate” represented by the Dow Jones REIT Index. “Gold” represented by the LBMA Gold Price Index. “Bitcoin” represented by the Bitcoin Galaxy Index