

Gift Tax Planning Strategies

Q: This is the time of year when my spouse and I make monetary gifts to our children and grandchildren. Is there anything new or are there any different strategies to consider this year?

A: One thing that is the same is the amount a person can give gift tax free – it remains \$12,000. (This amount will increase to \$13,000 for 2009.) Keep in mind these gifts are separate from any gifts one makes to a beneficiary for medical or educational purposes, which are also generally gift tax free.

Given the stock market's performance for the second half of 2008, there is a gift tax planning strategy one may wish to consider. It is a combination of tax-loss selling and gifting and it works as follows. A person would sell depreciated securities in his portfolio and recognize the loss for tax purposes. He would then wait at least 31 days and reacquire the securities he sold, thereby avoiding what are commonly called the "wash sale rules." It is important to avoid the wash sale rules so an individual can deduct his tax loss. Once the securities are reacquired, the securities are then gifted to chosen beneficiaries. As the value of the securities presumably increases over time, one would have transferred the appreciation out of his estate. This planning idea works especially well when making larger gifts; however, it can be complicated and one should consult with his tax advisor to determine whether this is an appropriate strategy.

For more information regarding gift tax free strategies, please contact:

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