

**2017 Gifting: Estate Planning Update**

January 24, 2017

**Estate Planning Update: *Have you planned for what is expected?***

We encourage you to consider gift and estate tax planning in conjunction with your family’s annual gift giving, year-end charitable giving, and overall financial planning. Keeping an eye on your entire plan each year will give you and your family the peace of mind that you are prepared for both the expected and unexpected.

The gift and estate tax lifetime exemption amount increased in 2017 to $5,490,000 per individual (or $10,980,000 for a married couple). The “exemption amount” is the amount of assets that can be gifted to others that are “exempt” from federal gift and estate tax. With an election filed on a timely filed tax return, the unused exemption amount of a deceased spouse may be claimed by a surviving spouse and added to the surviving spouse’s exemption amount. Gifts or bequests to a spouse (outright or in qualifying trust) are generally deductible by the donor spouse. (If your spouse is not a US citizen, certain limitations may apply. We can walk you through these rules and the election rules for a deceased spouse described above.)

Each person has the ability to make annual gifts of up to $14,000 to as many individuals as they would like without reducing their exemption amount. This is called the “annual exclusion”. In addition, gifts may be made directly to educational institutions or medical providers on behalf of others without reducing your exemption amount. All other gifts that you make to individuals other than your spouse or qualified charities, during your lifetime and upon your death, are added together to determine your total lifetime gifts for federal gift and estate tax purposes.

Minnesota has no gift tax. Therefore, Minnesotans can make lifetime gifts without being subject to any Minnesota gift tax. In contrast, Minnesota does have an estate tax (which is in addition to the federal estate tax). The Minnesota estate tax exemption for 2017 is $1,800,000 per individual (increasing to $2 million per individual in 2018). Because of its lower threshold, the Minnesota estate tax affects far more individuals than the federal estate tax. It is important to be aware of and take the Minnesota estate tax into account in formulating your estate plan.