

# Unified Tax Credit

The unified credit is a tax credit that exempts the first \$1 million US Dollars (USD) in gifts over a person's lifetime or at their death. Gifts that are more than the annual exemption of \$13,000 US Dollars (USD) are subtracted from the unified credit until the \$1 million US Dollars (USD) threshold is reached. This credit has the effect of eliminating the estate tax for the first \$1 million US Dollars (USD) of a person's estate, whether that estate is passed on during the person's lifetime or upon their death.

People often use the gift tax exclusion as an estate planning tool. It is used to give away assets during a lifetime which, if they were left to heirs at the time of death, would be subject to estate tax. Money or property given to a trust is considered a gift, so trusts need to be carefully planned to make optimum use of the gift tax exclusion and unified credit.

The giver of the gift, not the recipient, is required to pay the gift tax. A gift tax exclusion form must be filed with the IRS for any gifts exceeding the exclusion amount. IRS Publication 950, Introduction to Estate and Gift Taxes, provides detailed information on the gift tax exclusion. Gift tax return IRS Form 709 must be filed by the donor for any gift of more than \$13,000 US Dollars (USD) to any one person that was not subject to the educational exclusion. Taxation of gifts can be quite complicated, and may require consultation with a tax advisor.