

done by filing a gift tax return signed by both spouses for the year of the gift. If a gift to an individual exceeds the annual exclusion amount, then the excess will be counted against the amount exempt from federal estate tax. The annual exclusion amount is adjusted to keep up with inflation; however, the amount is only changed when the cumulative adjustments for inflation reach \$1,000. With proper planning, annual exclusion gifts for many donees may be made to a single trust.

GIFT TAXES. For federal purposes, lifetime gifts in excess of the amount exempt from estate tax are taxed. The tax rate is the same as the estate tax rate, which is 40%. Minnesota has no gift tax. However, if you make a lifetime gift in excess of the federal annual exclusion amount and if you die within three years after making the gift, the value of the gift above the annual exclusion amount is added to your Minnesota estate for estate tax purposes.



*I have held many things
in my hands,
and I have lost them all;
but whatever I have placed
in God's hands,
that I still possess.*

Martin Luther

If you have made a planned gift in your estate plan, or for more information, e-mail or call Mari Carlson, Director of Development, at 612.821.3150 or mcarlson@mtolivethomes.org. You become a Mount Olivet Vision Partner, a group of members and friends who are leaving their legacy for future generations by perpetuating their values and the Mount Olivet mission of serving others.



LEAVE YOUR LEGACY
FOR THE MINISTRIES OF
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MOUNT OLIVET
HOME

ESTATE AND GIFT TAXES

People “leave a legacy” for the Mount Olivet family out of their faith in God and desire to make the world a better place. Nevertheless, it is still important to understand the implications of estate and gift taxes when planning the distribution of your estate.

The federal government and some state governments impose a tax on the transfer of assets, whether the transfer is made during an individual’s lifetime or at death.

AMOUNT EXEMPT FROM ESTATE TAX

For federal purposes, each person may transfer (by lifetime gifts or at death) a certain amount of property free from gift and estate taxes. This basic exclusion amount is adjusted each year to keep up with inflation. Any part of this amount used for lifetime gifts reduces the amount available for transfers at death.

The amount exempt from federal estate tax was scheduled to rise to \$5,600,000 as of January 1, 2018. Instead, as part of the tax bill passed by Congress in December of 2017, this amount was increased to \$11,180,000.

In 2018, the amount transferable free of gift tax by lifetime gift or free of estate tax at death is \$11,180,000.

However, this increased amount is not permanent. As of January 1, 2026, this amount reverts back to what the amount would have been had it not been increased in 2018 (adjusted annually since then for inflation).

If you make taxable gifts during your lifetime, you will owe no gift tax if the total amount of gifts made is less than the amount exempt from federal estate tax available to you in the year of the gifts. However, you must file a federal gift tax return for each year in which you make such gifts. Note that at death you may still transfer an amount equal to the amount not used during your lifetime. If you make no taxable gifts during your lifetime, the entire amount exempt from estate tax is available at your death.

Minnesota has a separate estate tax with an exempt amount for each person that will reach \$3,000,000 as of January 1, 2020. In 2018, the Minnesota estate tax exempt amount is \$2,400,000 and will be \$2,700,000 in 2019. Since the amount exempt from Minnesota estate tax is less than the federal amount, in some estates there will be no federal estate tax payable, but there will be Minnesota estate tax payable. For example, in 2018 with a \$2,500,000 taxable estate, there would be no federal estate tax payable, but the Minnesota estate tax would apply to the value of the assets of the estate that exceeds \$2,400,000.

PORTABILITY. The estate of the first spouse to die may elect to transfer any part of the amount exempt from federal estate tax not used by the deceased spouse to the surviving spouse. This is called “portability.” However, this election does not apply to any unused Minnesota exempt amount, since Minnesota does not have portability. Therefore, without proper planning, spouses may fail to use both of their Minnesota exempt amounts and more Minnesota estate tax could be payable on the death of the surviving spouse than is necessary.

UNLIMITED MARITAL DEDUCTION. Generally, all transfers between spouses either during lifetime or at death are free of gift or estate tax regardless of the size of the transfer. This is called the marital deduction and is in addition to the amount exempt from estate tax.

ANNUAL EXCLUSION. There is an annual (i.e., available each year) exclusion from federal gift taxes for the first \$15,000 given to any individual. No federal gift tax return needs to be filed if the gift to any one individual is less than the annual exclusion amount. The number of individuals to whom \$15,000 may be given each year free of gift tax is unlimited. Alternatively, one spouse may give up to \$30,000 to one individual without gift tax so long as the other spouse agrees to let the spouse making the gift use the annual exclusion of the other spouse. This is called “gift splitting” and is

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