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JK Harris gives tax advice on giving gifts

JK Harris and Company advised taxpayers that giving gifts doesn't have to cost them when it comes to taxes.

/24-7PressRelease/ - NORTH CHARLESTON, SC, March 23, 2008 - JK Harris and Company Enrolled Agent Bill Wandel says giving gifts doesn't have to be costly at tax time.

"The threshold currently is any gifts to an individual that exceeds \$12,000 in fair market value per year," said Wandel, who has been with JK Harris, the nation's largest tax resolution company, since 2001. "If you are married, you and your spouse can consent to gift splitting, thereby qualifying up to \$24,000 per individual recipient."

This threshold is for taxpayers who are giving the gifts. Any taxpayer who gives gifts to one person that exceeds the \$12,000 per year must report the total gifts to the IRS. The person who is receiving the gift, however, does not have to report it to the IRS or pay gift or income tax on its value.

These gifts that qualify for the threshold can include money, real estate, personal property, below market interest loans, and future interests in property.

"Although the donor may be required to file and report gifts to individuals in excess of the annual threshold amount (using Form 709), you can avoid a tax liability by using your unified lifetime credit against transfer tax," Wandel said. "For Gift Tax returns, the transfer tax unified credit is \$345,800. It is the donor who files the return and pays any tax that may arise from the gift."

In other words, any unified credit used against a gift tax in one year reduces the amount of credit that can be used against the gift tax in a later year.

For instance, in the year 2007, a taxpayer gives a nephew a cash gift of \$8,000 and then gives their daughter and son \$25,000 each. The following would apply for the unified credit:

- The first \$12,000 given to one individual in 2007 is not a taxable gift. So the \$8,000 given to the nephew and the first \$12,000 given to both the son and daughter are not taxable gifts.
- The gift tax on \$26,000 (the \$13,000 remaining from your gift to the son and the \$13,000 remaining from your gift to the daughter) is \$5,120 (per the table for computing gift tax). The taxpayer then subtracts the \$5,120 from the unified credit of \$345,800 for 2007. The unified credit that can be used against the gift tax in a later year is \$340,680. No gift tax needs to be paid for 2007. However, Form 709 still has to be filed.

Wandel said, in general, the following gifts are not taxable and do not require the filing of a gift tax return:

- Gifts that do not exceed the annual threshold amount.
- Tuition or medical expenses paid directly to an educational or medical institution on behalf of someone.
- Gifts to your spouse.
- Gifts to a political organization for its use.
- Gifts to charities.

For more information on gift taxes, you can refer to Publication 950, which can be found on www.irs.gov.

About JK Harris:

JK Harris & Company, LLC, (www.jkharris.com) based in North Charleston, S.C., is the nation's largest tax resolution firm and has served over 200,000 customers since its founding in 1997 by John K. Harris. JK Harris consultants are available to meet with consumers in over 425 locations nationwide by appointment only. The company also provides services for student loan debt, fee-based financial planning, tax return preparation, and audit representation.