

From: Valeria Chomsky <[REDACTED]>
To: "jeffrey E." <jeevacation@gmail.com>
Cc: Noam Chomsky <[REDACTED]>
Subject: Fwd: FW: Gifts to family
Date: Sun, 14 Oct 2018 01:02:15 +0000

Noam is looking for some e-mail where Max or Harry say that they want a list of gifts made to me.

I could not find it yet, but I remember that there was something about this. Do you think this e-mail below could be used in any way?

Max was trying desperately to prevent Noam to give me any gifts. There are some other e-mails like this. And he kept opposing to the end about Noam transferring to my name the rights of the book Who Rules The World? that was done only because of Gene Landy's insistence on respecting Noam's decision.

Thanks.

Valeria

From: Max Kohlenberg [mailto:[REDACTED]]
Sent: Tuesday, May 19, 2015 7:35 AM
To: Noam Chomsky
Subject: RE: Gifts to family

Good morning Noam –

It's indeed correct that Sam could distribute \$150,000 per year to Valeria (strictly speaking, \$147,000) without tax effect. Doing so will have two aspects to consider however. One is that the funds would need to come out of your IRA, thereby triggering additional income taxes (at a rate somewhere above 30%) and the other gets us back to the issue of transferring to Valeria the copyright to Who Rules the World. I don't have an appraisal of that copyright in hand, but based on prior book sales data (which Anthony has given me, with respect to Failed States, among others) I think that the value will be well north of \$400,000. Thus transferring the copyright of Who Rules the World to Valeria has major tax implications, which would be very much exacerbated if a transfer of the copyright and a gift of \$150,000 were made in the same year.

Is there any chance I could drop by your office to discuss some of this in the next week or two?

Thanks, and standing by,

Max

A. Max Kohlenberg

Howland Evangelista Kohlenberg Burnett, LLP

One Financial Plaza – Suite 1600

Providence, Rhode Island 02903

Direct: [REDACTED]

Main: [REDACTED]

Fax: [REDACTED]

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www.hekblaw.com

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From: Noam Chomsky [mailto:[REDACTED]]

Sent: Monday, May 18, 2015 5:58 PM

To: Max Kohlenberg

Subject: FW: Gifts to family

EFTA01019748

I think I understand, but I would like to make sure. Here is what I think the facts are. For simplicity, let's say that the limit, pre-tax, is \$150,000.

Right now Sam is distributing \$150,000 annually. I can inform him that from now on he should be distributing an additional \$150,000 annually to Valeria.

Is that correct?

Noam

From: Noam Chomsky
Sent: Monday, May 11, 2015 12:12 PM
To: Max Kohlenberg
Cc: [REDACTED]
Subject: RE: Gifts to family

Thanks for the details. I think I understand, but will check in a couple of days to make sure I do. Right now abroad, with very limited internet access.

Noam

From: Max Kohlenberg [[mailto:\[REDACTED\]](mailto:[REDACTED])]
Sent: Thursday, May 07, 2015 5:54 PM
To: Noam Chomsky
Subject: RE: Gifts to family

Hello again Noam –

The federal gift tax rules are Byzantine (to use a term that somehow seems grander than the IRS deserves). I think the critical ones for your planning are the following:

1. You can make a gift of up to \$14,000 to any one individual each year and you can make an unlimited number of such gifts, so if you had 20 people that you wanted to make gifts to this year then you would be gifting a total

of \$280,000 "free gratis". ☺

2. If you are married the IRS rules allow you to make use of your spouse's gifting capacity and thereby double the gifts. In other words you could give \$28,000 to each individual, saying to the IRS, in effect "Valeria is letting me use her annual gifting capacity, despite the fact that she doesn't have the cash to make the gifts herself".

3. With respect to gifts to a spouse, the normal rule is that gifting is unlimited (so Bill Gates can give Melinda Gates a billion dollars this year and not report anything to the IRS). But with an "alien" spouse the IRS gets back to its obsession with the idea that alien spouses will always "return home" after their American spouse dies and that if they can then take lots of money with them the IRS won't get to collect the estate tax when the alien spouse dies back in her country of origin. With this fear in mind the IRS rules place a limit on how much you can give to your spouse each year if your spouse is not a citizen. The amount you can gift is indexed for inflation and for 2015 that amount is \$147,000.

How did I do in my attempt at a plain English explanation?

Yours truly,

Max

A. Max Kohlenberg

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From: Noam Chomsky [mailto: [REDACTED]]
Sent: Thursday, May 07, 2015 1:58 PM
To: Max Kohlenberg
Subject: RE: Gifts to family

Thanks. I should have figured that out.

I still have a more important question though, about distribution to Valeria. If I understood your letters correctly, the maximum that can be given a year without gift tax is \$140,000. My understanding was that under the law, half of his can go to the spouse.

I vaguely remember a discussion we had in our living room where, you explained that this was contingent on citizenship.

So to be clear, here are my two questions:

- (1) Is there a provision under the law permitting half of the tax-exempt gift to go to one's spouse?
- (2) If that is correct, is it contingent on spouse being a citizen?

Noam

From: Max Kohlenberg [mailto: [REDACTED]]
Sent: Wednesday, May 06, 2015 5:53 PM
To: Noam Chomsky
Subject: RE: Gifts to family

Noam –

Not surprised at your confusion! A bit of interesting reversal-speak on my part. What I meant to say was “spouses of children”, not “children of spouses”, and what I was referring to was gifts made to your daughter-in-law and son-in-law.

Sorry about that.

Max

A. Max Kohlenberg

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From: Noam Chomsky [<mailto:>]
Sent: Wednesday, May 06, 2015 5:14 PM
To: Max Kohlenberg
Subject: RE: Gifts to family

Reading your letter more carefully I was confused about one phrase "two gifts to children of spouses". Can't think of any children of spouses. Am I overlooking something?

Noam

From: Max Kohlenberg [<mailto:>]
Sent: Wednesday, May 06, 2015 1:58 PM
To: Noam Chomsky
Subject: Gifts to family

Good afternoon Noam –

I'm writing to follow up on our exchanges last night about your gifts to children and grandchildren. The folks at Sam's office provided the backup, which confirms the following:

In 2014 and 2015 (as in prior years) you made 10 gifts to children and grandchildren (and two gifts to children of spouses). Each gift was in the amount of \$14,000 which is the maximum amount that you can gift in a single year without gift tax issues. In 2014 you also paid \$30,000 towards Alaitz's tuition expenses, which is a non-taxable expenditure.

For the 2014 gifts half the funds came from your IRA withdrawals and the other half came from Carol's trust. Using funds from Carol's trust is not ideal (as the trust represents a reserve that would be less heavily taxed than your IRA in the event of your death) but in 2014 that seemed the better course considering other needs for IRA funds.

For 2015 all the funds came from your IRA withdrawals.

It's my impression that these distributions are very helpful to your children and grandchildren. For what it's worth they're also good tax planning. As to both elements I know Sam would be happy to join me in discussing them with you further anytime!

Thanks, and standing by,

Max

A. Max Kohlenberg

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From: Noam Chomsky [<mailto:> [REDACTED]]
Sent: Tuesday, May 05, 2015 8:04 PM
To: Max Kohlenberg
Subject: RE: question

Thanks. I'd like to get it clear in my mind. Never have understood it.

Noam

From: Max Kohlenberg [<mailto:> [REDACTED]]
Sent: Tuesday, May 05, 2015 7:55 PM
To: Noam Chomsky
Subject: RE: question

Good evening Noam –

I'm afraid those are questions I'm not quite up to answering from home, without your file in front of me. So let me look into this in the morning and then get back to you.

Thanks, and hoping all is well,

Max

A. Max Kohlenberg

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From: Noam Chomsky [mailto:[REDACTED]]
Sent: Tuesday, May 05, 2015 6:21 PM
To: Max Kohlenberg
Subject: question

EFTA01019756

I'm confused about distributions from the estate that go to my children every year. How exactly is it done? And did it work last year for Valeria? And how will it work this year?

Never really understood how this works.

Noam