



FEBRUARY 2021 CLIENT PROFILE

Elizabeth gave her brother \$10,000 for a down payment on a house and is considering giving him another \$10,000 to help with renovations. Will either of them owe gift tax on these amounts?

The IRS considers this a gift and the general rule is any gift is taxable. However, the IRS has carved out several exceptions that make some gifts non-taxable. The one that applies to Elizabeth is the annual exclusion. For 2021, a taxpayer can gift \$15,000 per year to an individual. If the total gift is \$15,000 or less, it is non-taxable to both the donor and the recipient.

Currently, the \$10,000 Elizabeth gave her brother wouldn't be taxable since it falls below the annual exclusion amount. If she chooses to gift him another \$10,000 this year, then she will have to file Form 709 to report the gift and determine if any gift tax is owed.

However, if Elizabeth has a spouse, the spouse could gift the additional \$10,000 to her brother. Since both Elizabeth and her spouse have each gifted less than \$15,000 to her brother, there is no gift tax.



**Client Profile is based on a hypothetical situation. The solutions we discuss may or may not be appropriate for you.*



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