

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us



The season of giving is here, which means the annual exclusion deadline for tax-free gifts is fast approaching. Clients are likely flooding your inbox with the common question, “What can I gift tax-free before the year comes to a close?”. It can be difficult to distinguish between what is and isn’t allowed when it comes to tax-free gifting. Let’s simplify it.

What is tax-free gifting?

The “annual exclusion” is the IRS term that references the amount that you can gift tax-free to a single person. According to the IRS, one can currently gift up to \$15,000, tax-free, to as many people as one likes. For example, a client can make a gift to their child, and their child’s spouse and to each of their children, tax-free, up to the amount of \$15,000 each. For the gifts to qualify as an annual exclusion gift in 2020, it must be made by December 31, 2020.

If clients are making a gift of cash in the amount of \$15,000 or less, then all they

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

be made between spouses (thank you honey)! But note, if your client's spouse is a non-US citizen, then you should be aware that the rules are different for them and there will be gifting limits they must follow.

Let's talk details.

If the value of the gift is easily ascertainable (i.e., cash, publicly-traded shares of stocks, bonds, etc.) then there's no need to do anything else. In situations where a client wants to gift shares of a private company or other hard to value assets, then it's best to obtain an appraisal and file a gift tax return with the information to avoid tax audits later, even though the gift is tax-free.

Are there any exceptions?

There are some gifts that remain tax-free even though they exceed the annual exclusion amount. These gifts include the following:

- A gift to cover someone's education tuition, if paid directly to the educational institution. Keep in mind this does not cover gifts to cover room and board, books or supplies
- Gifts to cover someone's medical expenses, if paid directly to the medical facility
- A gift to a political organization

The gift tax also doesn't apply when giving to certain tax-exempt organizations:

- A 501(c)(4) social welfare organization or civic league
- A 501(c)(5) labor, agricultural, or horticultural organization
- A 501(c)(6) business association, such as a chamber of commerce

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

estate tax purposes. Finally, note that the \$11.58M exemption is set to sunset in 2025 and may be changed by Congress before then.

Sharing the wealth during the holiday season is admirable, just ensure your clients are following best practice when it comes to tax-free gifts.

=====

Anna Byrne is the founder of [Eckert Byrne LLC](#) and an estate planning attorney with over 25 years of experience creating estate plans that encompass more than just the transfer of tangible assets. A widow herself, Anna authored the recently published book, [A Widow's Guide](#), to help women who have lost a spouse through their first year. Her life experience as a young widow revealed a need to pass on wisdom and values to help those left behind. Anna can be reached at anna@eckertbyrne.com.

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved