



## Do I Need To File A Gift Tax Return?

Gift Tax is one of the “Unknown Taxes” in the Internal Revenue Code and it is a tax on transfers you make *during* your lifetime. These transfers of assets can trigger a gift tax return. To determine if you must file a Gift Tax Return (Form 706), use the following guidelines.

First, let’s define a gift. A gift is any asset, or group of assets, you transfer to another person or entity. These can include, but are not limited to:

- Monetary Assets
  - Cash
  - Stocks
  - Bonds
  - Installment Notes
  - Other
- Real Estate
- Vehicles
- Jewelry
- Collectibles
- Household Goods
- Personal Effects

A gift is also considered to have been made in the case where debts are forgiven or contracts are made for amounts less than the Fair Market Value (FMV) of the item. As an example, you sell your boat to your best friend for \$10,000. The FMV of the boat is \$50,000. You have made a gift of \$40,000.

There are exceptions to the above rules (as is always the case with the IRS). These exclusions allow you to gift up to \$19,000 in 2025 to each individual with no reporting required. For example, you gave your son \$19,000 in 2025 to purchase a new car. This gift is not reportable. But, if you gave him the cash, furniture, tools, etc. that totaled more than \$19,000, it is reportable.

If you are a married couple, each of you may gift the full amount or you can make a joint gift of \$38,000 in 2025 with no tax implications. This is done by utilizing a technique called “gift-splitting.” In this case, you would need to file gift tax returns for each of you to record the split but there would be no tax due.

You may also make unlimited gifts to qualified charities and political organizations. Payments made for medical and educational expenses directly to the institution are excluded from gift tax reporting **UNLESS** you make a reportable gift (i.e., you made a gift in excess of \$19,000 to an individual). Then, you must report all gifts. The excluded amounts will be deducted to determine the taxable amount of the gifts.

This is a very brief explanation of gift tax. For more information, contact your Tax Advisor.

*The information contained within this White Paper is provided for informational purposes only and is not intended to substitute for obtaining accounting, tax, or financial advice from a professional accountant.*