



December 27, 2023

Gift Tax Exclusion FAQs

If gift-giving is on your mind this holiday season, it is also time to think about the federal gift tax. If you give money or property to a loved one, you may owe the IRS.

Here are helpful answers to some common questions people have about the gift tax this time of year:

1. What is the federal gift tax?

The federal gift tax is applied to gifts of money or property given to people other than your spouse or your dependents. The tax rate is 18% to 40%. In most cases, the giver is responsible for paying the tax.

2. What gifts are taxable, and what gifts are not?

Nearly any gift that reaches a certain threshold is considered taxable. Exceptions include tuition and medical expenses paid for someone else, gifts to a political organization, charitable donations, and gifts to your spouse or dependents.

3. How much can be excluded annually in 2023?

The IRS sets an annual gift tax exclusion. In 2023, the exclusion amount is \$17,000. That means you can give gifts of up to \$17,000 to as many people as you desire without incurring the tax. If you gift more than \$17,000 to someone, you will owe the gift tax on the overage amount.

4. Why was the gift tax exclusion amount increased in 2023?

The IRS increased the gift tax exclusion from \$16,000 in 2022 to \$17,000 in 2023. It made this adjustment to account for inflation.

5. How do I file a gift tax return?

Gift tax returns are due on April 15, following the year in which you gave the gift in question. You can pay the gift tax online. Depending on the complexity of the gift, it may be best to work with a tax professional.

You cannot deduct the value of gifts given on your income tax return in most cases.

Have any questions about your finances? Let's chat.

Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.



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