

IRS TAX TIP 2003-46

GIFT GIVING

If you gave any one person gifts valued at more than \$11,000 in 2002, it is necessary to report the total gift to the Internal Revenue Service. You may even have to pay tax on the gift.

The person who receives your gift does not have to report the gift to the IRS or pay gift or income tax on its value.

You make a gift when you give property, including money, or the use or income from property, without expecting to receive something of equal value in return. If you sell something at less than its value or make an interest-free or reduced-interest loan, you may be making a gift.

There are some exceptions to the tax rules on gifts. The following gifts do not count against the annual limit:

- Tuition or medical expenses that you pay directly to an educational or medical institution for someone's benefit
- Gifts to your spouse
- Gifts to a political organization for its use
- Gifts to charities

If you are married, both you and your spouse can give separate gifts of up to the annual limit to the same person without making a taxable gift.

For more information, get the IRS Publication 950, "Introduction to Estate and Gift Taxes," IRS Form 709 or 709-A, "United States Gift Tax Return," and "Instructions for Form 709." They are available at the IRS Web site at *IRS.gov* under "Forms and Publications" or by calling 1-800-TAX-FORM (1-800-829-3676).

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