Samantha Rocco Quoted In NJ.com Article, "Is There A Gift Tax If I Sell My Car For $1?

As published by NJ.com, August 18, 2021

By: Karin Price Mueller

Q. I have a leased vehicle that I will purchase. Upon completion, I want to transfer the title to my daughter and or sell her the vehicle for $1. Are there any gift tax implications?

— Dad

A. We're glad you're asking before you make the move because some transfers could have tax consequences.

New Jersey does not have a gift tax, so there will be no New Jersey gift tax following the gift of the vehicle to your daughter, Samantha Rocco, an attorney with Einhorn. Barbarito, Frost & Botwinick in Denville.

However, depending on your circumstances, a federal gift tax may be incurred following the gift — or "sale" of the vehicle for $1 — to your daughter, she said.

Before determining whether a gift tax will be incurred, it is important to understand how the federal estate and gift tax system works.

Under current law, the federal estate and gift tax exemption is $11.7 million per individual, Rocco said.

"This means that an individual can gift during life, or bequeath at death, a total of $11.7 million free of federal estate and gift tax," she said. "Married U.S. citizen spouses may gift a total of $23.4 million free of federal estate and gift tax. Any amounts that are gifted during life, or bequeathed at death, in excess

of the federal exemption amount will incur tax."

Each individual may gift a certain amount per year to an unlimited number of persons free of federal gift tax, Rocco said. This is known as the "annual exclusion."

In 2021, the annual exclusion is $15,000 per beneficiary, she said. Gifts of an amount up to and including the annual exclusion amount do not reduce an individual's federal estate and gift tax exemption. However, any gifts that exceed the annual exclusion reduce the amount, dollar for dollar, that an individual may give away at death free of estate tax, Rocco said.

"You have not indicated your marital status, but if you are married and the vehicle is in your name alone, your spouse may elect, for federal gift and estate tax purposes, to treat the vehicle as being one-half yours and one-half your spouse's," she said. "As a result, you may utilize your spouse's annual exemption and make a gift of $30,000 free of federal gift and estate tax."

Following the gift of the vehicle, you will need to determine the fair market value of the vehicle, Rocco said.

At the end of the year, there will be no tax implications if all gifts to your daughter, including the fair market value of the vehicle, are equal to, or less than, the annual exclusion, she said. If all gifts to your daughter exceed the annual exclusion, then you will be required to file a gift tax return to report the gifts. However, Rocco said, you will only incur gift tax if you have consumed your lifetime exemption — the $11.7 million per person.

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