

GIFT TAX

I. RETURN DUE DATE

The Tennessee gift tax return (Form # INH 300) is due April 15 of the year following the calendar year in which the gifts were made - (Tenn. Code Ann. Section 67-8-101).

II. WHO MUST FILE

A. If the value of the total gifts made during the calendar year exceeds the applicable exemption levels, the state gift tax return must be filed for any of following transfers:

1. Transfer from a resident of this state:

- a) Real property situated in Tennessee.
- b) Tangible personal property - except situated outside of Tennessee.
- c) Property in which a person holds a qualifying income interest for life (life estate).
- d) All intangible personal property.

III. CLASSIFICATION OF DONEES

A. Class A - Husband, wife, son, daughter, lineal ancestor, lineal descendant, brother, sister, son-in-law, daughter-in-law, or stepchild. If a person has no child or grandchild, a niece or nephew of such person shall be a Class A donee.

B. Class B - Any other relative, person, association, or corporation not specifically designated in Class A.

IV. EXEMPTIONS

A. Class A - Gifts made in 2002 through 2005 - Exemption \$11,000 - Per donee
Class A - Gifts made in 2006 through 2008 - Exemption \$12,000 - Per donee
Class A - Gifts made in 2009 and after - Exemption \$13,000 - Per donee
Exception: In the case of a future interest, only one class exemption of \$10,000 is allowed.

B. Class B - Exemption \$5,000 - Per donee exclusion of \$3,000.

V. NET GIFTS

A. Amount of gifts made during any calendar year less deductions.

B. If the total value of all gifts made by a person during any calendar year does not exceed the exemption levels, no gift tax return is required unless consenting to split gifts with spouse.

VI. DEDUCTIONS

A. Marital Deduction - Deduction allowed for gifts made to the spouse, provided married to each other at time gifts were made.

B. Qualified Terminable Interest Property - spouse has qualifying income interest for life.

C. Charitable Deduction - Gifts made to any charitable, educational, scientific, or religious purposes (if qualified under Internal Revenue Code 501(c)(3)).

VII. GIFTS

The valuation of all property real or personal must reflect the full and true value as of date of making the gift. A gift consists of:

- A. Real Estate
- B. Stocks and Bonds
- C. Closely Held Stocks and Partnerships
- D. Notes and Mortgages Receivable
- E. Artistic or Intrinsically Valuable Gifts
- F. Gifts to Trust
- G. Partial Consideration - (Less than consideration in money or money's worth)
- H. Powers of Appointment
- I. Actuarial Valuation of Future and Limited Estates - Life estate using the mortality table

VIII. GIFT SPLITTING

- A. Consent of Spouse - gifts made during the calendar year by the donor and spouse to a third party may be considered as being made one-half by each. This election can be made only if donor and spouse are married at the time of the gift.
- B. The "Consent of Spouse" part of the gift tax return must be completed in its entirety to perfect the gift splitting election, and each spouse is required to file a gift tax return.