

## Reporting for Foreign Gifts

A foreign gift is any amount received from a person other than a U.S. person that is treated as a gift or bequest. If you received more than the annual threshold amount you must furnish certain information to the IRS.

The threshold amount varies with the type of donor. If the gift is from a nonresident alien or a foreign estate, reporting is only required if the total amount of gifts from the nonresident alien or foreign estate is more than \$100,000 for the tax year. However, if the gift is from a foreign corporation or foreign partnership, the threshold is much lower - \$15,797 for gifts made during a tax year beginning in 2017.

Although reporting is only required if you know or have reason to know that the donor is a foreign person, the penalty is severe if the IRS determines that you should have filed a report but did not. The penalty doesn't apply to any failure to report a foreign gift if the failure is due to reasonable cause and not willful neglect.

In order to comply with these rules and not be subject to a penalty, Form 3520 is due on the date that your income tax return is due, including extensions.

Special tax rules impose a transfer tax on certain gifts from an expatriate. Expatriates are individuals who voluntarily relinquish their U.S. citizenship for tax purposes. The special rules apply to individuals who expatriate on or after June 16, 2008 and who have, among other things:

1. Net worth of \$2 million or more;
2. Average annual net income tax for the 5 years ending before the date of expatriation or termination of residency of more than a specified amount that is adjusted for inflation; (\$162,000 for 2017); or
3. Failed to certify that they complied with all U.S. federal tax obligations for the five years before the date of expatriation.

If you have received, or expect to receive a gift, from an individual who has voluntarily relinquished his or her U.S. citizenship, please contact our office.

There are some planning techniques, such as gift-splitting, which I may be able to advise you on to avoid the reporting requirements. Since the penalty for not reporting can be so severe, it is important that you be certain whether or not the reporting requirements apply to you.

Please contact me if you have any questions, or would like to discuss your particular situation more fully.