

## Gift Stock or Proceeds

By [Gina L. Gwozdz, CPA](#)

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### Doug would like to know:

My mom wants to transfer some her stock to me as a gift (generous mom :) ). There is a 43% capital gains increase since she purchased the shares. If she transferred the stock directly to me, who pays the tax on the capital gains? Should I have her sell the stock and just give me the proceeds?

### My reply:

Thanks for visiting Doug!

If your mother gives you her stock, then her basis in the stock (whatever that is) and her holding period (whatever that is) becomes your basis and holding period in the stock, and you pay the tax on the capital gains whenever you sell it.

If your mother sells the stock, she will pay the capital gains tax on the sale. Then she can give you the net proceeds and it has no effect on your taxes.

You should take into consideration a couple of other things:

1. Your tax bracket vs. your mother's tax bracket
2. The value of the stock

You and your mother may be in different tax brackets. If one of you happens to be in the 15% or below tax bracket, then that person would pay long term capital gains at a 5% rate vs. 15% for others.

If your mother is gifting you stock or cash worth more than \$12,000, then she is going to have to file a gift tax return. Most likely she will not have to pay any tax on this (unless she has already gifted millions of dollars in the past), but she will still have to file the gift tax return. You will have no reporting or tax paying obligations from this gift. If this is the case then you should also consider splitting the gift between 2006 and 2007. For example, if the stock is worth \$15,000, she could give you \$12,000 worth of the stock in 2006 and the other \$3,000 worth of stock in 2007 and not have to file a gift tax return.

On another note, if your mother decides to will you the stock, then your basis would be the fair market value of the stock on the date of her death.

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**Gina L. Gwozdz** is a CPA who has chosen to specialize in taxes. Visit her website at <http://GLGcpa.com> to view more Tax Tip Articles.