

Buying a home is one of the most significant financial moves a person can make — and sometimes, family members want to step in and help. Whether it's assisting a child, grandchild, or another relative, there are several ways you can help your loved one with buying a home while managing the potential tax implications carefully.

We help clients navigate these options with clarity, making sure financial gifts and loans are structured properly to protect both your generosity and your estate.

Here are several strategies you might consider when helping a family member buy a home:

Gifts of Cash

If you're not concerned about being paid back, [gifting cash](#) is often the most straightforward method.

In 2025, you can give up to **\$19,000** to any individual without triggering federal gift tax consequences, thanks to the gift tax annual exclusion.

- **Married couple advantage:** If your loved one is married, you can give **up to \$38,000** to the couple without any federal gift tax issues.
- **Gift-splitting for married donors:** If you're married, you and your spouse can **jointly gift up to \$76,000** to the couple tax-free.

If your gift exceeds these annual limits, the excess amount will reduce your lifetime gift and estate tax exemption, which in 2025 is \$13.6 million for individuals and \$27.2 million for married couples filing jointly. A [gift tax return](#) will be required if you exceed the annual gift tax limit.

Tip: Document all large gifts properly to protect yourself from future tax complications.

Buying and Gifting a Home

Another option is to purchase the home yourself and then gift it to your loved one. This strategy allows you to transfer ownership directly, but comes with more significant tax considerations.

For example:

- If you buy a home worth **\$500,000**, you can apply your **\$19,000 annual exclusion** first.
- The remaining **\$481,000** (\$500,000 - \$19,000) would reduce your lifetime gift and estate tax exemption.

This method can be a powerful way to provide immediate assistance, but it's essential to understand how it affects your overall estate planning strategy.

Tip: A formal property appraisal may be helpful to establish fair market value for gift tax reporting purposes.

Buying and Renting for Your Loved One

If gifting isn't the right fit, you might consider buying the home and renting it to your family member at a reasonable, market-based rate. Later, you could leave the property to them through your estate.

However, this approach introduces [federal income tax implications](#):

- Rental income must be reported on your tax return.
- You may be eligible for deductions such as mortgage interest, property taxes, and maintenance expenses.
- Upon inheritance, the property generally receives a "step-up" in basis, which can potentially reduce future capital gains taxes for your heirs.

Tip: If you rent below market value, some valuable tax deductions could be lost, so it's important to set an appropriate rental price.

Additional Considerations for Buying a Home

When helping someone with buying a home, it's critical to think beyond just the upfront financial support. Here are a few more factors to keep in mind:

- **State taxes:** Every state has different rules regarding gift taxes and property transfers. It's essential to understand both federal and state implications.
- **Gift documentation:** Use a gift letter if you're gifting funds to clarify that it's not a loan, especially if your loved one is applying for a mortgage.
- **Mortgage implications:** Large cash gifts may affect a borrower's ability to qualify for a mortgage, so it's smart to work with your lender early.
- **Estate planning:** Consider how gifts now may impact your long-term estate and legacy goals.

Summary: Buying a Home for Family Members the Right Way

Helping a family member with buying a home can be a rewarding way to support their future. Whether you choose to gift cash, purchase and transfer property, or rent to them with a long-term plan for inheritance, each method has financial and tax considerations you'll want to address ahead of time.

At ORRPC, we help families make these critical decisions to ensure they align with their broader financial goals.

[Contact us today](#) to discuss the most innovative ways to help your loved ones achieve their dream of homeownership, without jeopardizing your financial security.