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Abstract: Making a family loan isn't the only way to assist a loved one with purchasing a home. This short article looks at other options and their potential tax consequences.

Helping a family member buy a home

Making a family loan isn't the only way to assist a loved one with purchasing a home. If you aren't concerned about being paid back, a straightforward option is gifting cash. In 2025, you can give up to $19,000 to anyone without federal gift tax consequences under the gift tax annual exclusion.

If your loved one is married, you can gift up to $38,000 to the couple tax-free. If you're married, you and your spouse can jointly give up to $76,000 to the couple, all without federal gift tax consequences (4 x $19,000).

Gifts exceeding these limits reduce your lifetime gift and estate tax exemption, which for 2025 is $13.99 million ($27.98 million for married couples) and will require filing a gift tax return.

Alternatively, if your financial situation allows it, you can purchase a home and gift it to your loved one. This transfer can be gift tax-free through a combination of your available annual exclusion and gift and estate tax exemption. It would reduce your gift and estate tax exemption by the amount of the home's value minus your yearly exclusion. So, a single taxpayer who gifts a home worth $500,000 can subtract his or her $19,000 annual exclusion and reduce his or her lifetime exemption by $481,000 ($500,000 - $19,000).

Another option is to buy and rent a home to your family member. You can then allow the loved one to inherit it in your will when you pass away. However, this approach has federal income tax implications.

State tax consequences must also be considered. Each option has pros and cons—consult us to explore the best approach for your situation.