



Senior's Corner

Gift Tax Exposure & HELOC Deductibility

Senior's Corner Guide

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Section 1

Welcome to Senior's Corner

Senior's Corner is a dedicated section of the IntelliTC Solutions platform that addresses two of the most common — and most overlooked — tax situations homeowners face. While the name references seniors, these tools are relevant for anyone who has ever transferred property to a family member or borrowed against their home equity.

What is Senior's Corner?

Senior's Corner houses two specialized calculators that go beyond traditional real estate analysis. These tools focus on the tax implications of property-related decisions that many homeowners make without fully understanding the IRS reporting requirements involved.

Gift Tax Exposure Calculator — Determines whether adding someone to your property deed triggers a federal gift tax filing requirement (IRS Form 709) and estimates the reportable gift value.

HELOC Deductibility Checker — Analyzes whether the interest on your home equity loan or line of credit qualifies for a tax deduction based on how you used the funds.

Who is it for?

Despite the name, these tools serve a broad audience. Anyone in the following situations should use them:

- Homeowners who added a spouse, child, or family member to their property deed
- Parents transferring partial or full ownership of a home to adult children
- Anyone who has taken out a HELOC or home equity loan
- Homeowners who used home equity for renovations, debt payoff, or other expenses
- Real estate professionals advising clients on property transfers
- Anyone preparing for tax season who needs to understand deduction eligibility

How to access Senior's Corner:

Navigate to intellitcsolutions.com/seniors-corner or click "Senior's Corner" in the site navigation bar at the top of any page. You will see both tool cards displayed on the landing page. Click "Open Calculator" or "Open Checker" to launch the respective tool.

TIP: No Account Required

Senior's Corner is part of the IntelliTC beta experience. Both tools are completely free — no signup, no account, no personal information required. Just open your browser and start using them.

Gift Tax Exposure Calculator

What this tool does

When you add someone to your property deed — whether a spouse, child, or other family member — the IRS treats this as a gift of real estate. If the value of the transferred interest exceeds the annual gift tax exclusion, you are legally required to file IRS Form 709, the United States Gift (and Generation-Skipping Transfer) Tax Return.

The Gift Tax Exposure Calculator estimates the value of the property interest you are transferring and determines whether a Form 709 filing is required. It factors in your home value, outstanding mortgage, ownership percentage transferred, number of recipients, and filing status.

When do you need this tool?

Use this calculator if any of the following apply:

You added a family member to your property deed (past or planned)

You transferred full ownership of a home to someone without receiving fair market value in return

You are considering adding a child or relative as a co-owner for estate planning purposes

A title company or attorney suggested adding someone to your deed, and you want to understand the tax impact before proceeding

IMPORTANT: This Applies Even If No Money Changed Hands

Many homeowners assume that because no cash was exchanged, there is no tax event. The IRS disagrees. Transferring an ownership interest in real property is treated as a gift of that interest's fair market value, regardless of whether money was involved. This is one of the most commonly overlooked filing requirements in real estate.

Understanding the inputs

The calculator asks for five inputs. Here is what each one means and how to determine the right value:

Input Field	What It Means	How to Find It
Estimated Home Value	Current fair market value of the entire property	Use your latest appraisal, Zillow estimate, or county assessment. An appraisal is most accurate.
Outstanding Mortgage	Remaining balance on your mortgage at the time of transfer	Check your latest mortgage statement or online lender portal.
Ownership % Transferred	What share of the property was given away (50%, 25%, 33%, or 100%)	50% is most common when adding one person as equal co-owner.
Number of Recipients	How many people you added to the deed	Each recipient gets their own annual exclusion amount.
Filing Status	Single or Married — determines exclusion amount	Married couples can elect gift-splitting, doubling the per-recipient exclusion.

Reading your results

After clicking "Calculate Gift Tax Exposure," the tool displays two result cards:

Property Transfer Summary

Home Equity (Value minus Mortgage) — The net value of the property. If your home is worth \$400,000 with a \$120,000 mortgage, the equity is \$280,000.

Value of Interest Transferred — The equity multiplied by the ownership percentage you gave away. Transferring 50% of \$280,000 in equity means \$140,000 was gifted.

Per-Recipient Gift Value — The transfer value divided by the number of recipients. This is the amount the IRS evaluates against the annual exclusion.

Gift Tax Filing Analysis

Annual Exclusion — The amount each recipient can receive tax-free. For 2025 and 2026, this is \$19,000 per recipient (\$38,000 if married and gift-splitting).

Taxable Gift — The amount above the annual exclusion. This is applied against your lifetime exemption (\$13.99 million in 2025; \$15 million in 2026).

Form 709 Required? — A clear YES or NO answer. If YES, you must file IRS Form 709 for the tax year in which the deed transfer occurred.

Key IRS rules you should know

The following rules come directly from IRS guidance and are built into the calculator's logic:

Rule	Details
Annual Gift Tax Exclusion	For 2025 and 2026, you can give up to \$19,000 per recipient per year without triggering a filing requirement. For 2024, the exclusion was \$18,000. Married couples who elect gift-splitting on Form 709 can combine their exclusions to \$38,000 per recipient.
Lifetime Exemption	Taxable gifts above the annual exclusion are applied against your lifetime combined gift and estate tax exemption. For 2025 this is \$13.99 million per person. For 2026, under the One Big Beautiful Bill Act, it rises to \$15 million per person (\$30 million for married couples).
Form 709 Filing	You must file Form 709 if any single gift exceeds the annual exclusion, even if no tax is owed. The form is due by April 15 of the year following the gift. You can get an extension by filing Form 4868 or Form 8892.
Stepped-Up Basis	When you gift property, the recipient inherits your original cost basis. If they sell later, they may owe significant capital gains tax. By contrast, property inherited at death receives a stepped-up basis to current market value — potentially saving tens of thousands in taxes.
No Tax Usually Owed	Most people will never actually pay gift tax. The form is a reporting requirement. You only owe tax after exceeding the lifetime exemption — which for 2026 is \$15 million.

Worked example: Adding a child to your deed

Let's walk through a real-world scenario step by step:

Scenario

Maria owns a home worth \$400,000 with a \$120,000 mortgage. She adds her adult son Carlos as a 50% co-owner. Maria is single.

Step 1: Calculate home equity

$\$400,000$ (home value) minus $\$120,000$ (mortgage) = $\$280,000$ equity

Step 2: Calculate the transferred value

$\$280,000$ equity x 50% transferred = $\$140,000$ gift value

Step 3: Apply the annual exclusion

$\$140,000$ gift minus $\$19,000$ annual exclusion = $\$121,000$ taxable gift

Step 4: Determine filing requirement

Since $\$140,000$ exceeds the $\$19,000$ exclusion, Maria must file IRS Form 709. The $\$121,000$ taxable amount is applied against her $\$13.99$ million lifetime exemption. She will not owe any actual gift tax — but the form is still legally required.

What If Maria Were Married?

If Maria were married and her spouse agreed to gift-splitting, the per-recipient exclusion would double to $\$38,000$. The taxable gift would be $\$140,000$ minus $\$38,000$ = $\$102,000$. Both spouses would need to file Form 709 to elect gift-splitting, but the taxable amount reported on each return would be lower.

Common mistakes to avoid

Assuming no filing is needed because no money changed hands. The IRS treats property transfers as gifts based on fair market value, not cash exchanged.

Using the tax-assessed value instead of fair market value. County tax assessments are often significantly lower than what the home would sell for. Use a recent appraisal or reputable estimate.

Forgetting about the stepped-up basis benefit. Gifting property now means the recipient keeps your original cost basis. If the property appreciates significantly, they could face large capital gains taxes when selling. Inheriting at death provides a stepped-up basis.

Not filing Form 709 because no tax is owed. Filing is required even when no tax is due. The IRS can assess penalties if they discover an unreported gift.

Confusing annual exclusion with lifetime exemption. The annual exclusion (\$19,000) is the amount that does not even need to be reported. The lifetime exemption (\$15 million for 2026) is the total amount above annual exclusions that remains tax-free over your lifetime.

HELOC Deductibility Checker

What this tool does

A Home Equity Line of Credit (HELOC) or home equity loan lets you borrow against the equity in your home. Many homeowners assume the interest on these loans is always tax-deductible — but since the Tax Cuts and Jobs Act of 2017, that is no longer the case.

The HELOC Deductibility Checker analyzes how you used your HELOC funds and determines whether the interest qualifies for a tax deduction. It also checks whether your total mortgage debt falls within the IRS deduction limits.

When do you need this tool?

Use this checker if any of the following apply:

- You have an active HELOC or home equity loan
- You are planning to take out a HELOC and want to understand the tax implications before borrowing
- You used HELOC funds for home improvements and want to confirm deductibility
- You used HELOC funds for non-home purposes (debt consolidation, tuition, investments) and want to know if the interest is deductible
- You are preparing your tax return and need to determine what portion of your HELOC interest to claim

KEY RULE: It's About How You Used the Money — Not the Loan Label

The IRS does not care whether your lender calls it a HELOC, home equity loan, or cash-out refinance. What determines deductibility is solely how the borrowed funds were spent. A HELOC used for a kitchen remodel may be deductible. The same HELOC used to pay off credit cards is not.

Understanding the inputs

The checker asks for four inputs (five if you select "Mixed" use). Here is what each one means:

Input Field	What It Means	How to Find It
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HELOC / Loan Amount	The total amount you borrowed through the HELOC or home equity loan	Check your loan agreement, closing documents, or lender portal.
Interest Rate	The annual interest rate on your HELOC	Found on your monthly statement. HELOCs typically have variable rates.
Primary Use of Funds	What you spent the borrowed money on — this is the critical factor for deductibility	Be honest. The IRS requires documentation. Options include: home improvement, purchase, construction, medical, tuition, debt consolidation, investment, living expenses, helping family, or mixed use.
Total Mortgage Debt	Your first mortgage balance plus the HELOC combined	Add your primary mortgage balance and HELOC balance together. The IRS caps deductions at \$750,000 total.
Improvement % (Mixed only)	If you selected 'Mixed,' what portion went to home improvements	Estimate the percentage. Only the improvement portion qualifies for deduction.

Reading your results

After clicking "Check Deductibility," the tool displays two result cards:

Annual Interest Summary

Annual Interest Paid — Estimated total interest for the year based on your loan amount and rate.

Deductible Portion — The amount of interest that qualifies for a tax deduction. This depends on your fund usage and whether you are within the \$750,000 mortgage debt cap.

Non-Deductible Portion — Interest that cannot be claimed. This results from using funds for non-qualifying purposes or exceeding the debt cap.

Deductibility Ruling

Interest Deductible? — A clear ruling: Fully Deductible, Partially Deductible, or Not Deductible.

Mortgage Debt Cap Status — Whether your combined mortgage debt is within or over the \$750,000 limit.

Estimated Tax Impact — An approximation of the dollar benefit (or loss) based on your deduction status.

Quick reference: What qualifies?

Use of HELOC Funds	Deductible?	Why
Kitchen remodel, new roof, bathroom addition	Yes	Qualifies as "substantially improve" the home
Purchasing the home itself (part of acquisition)	Yes	Qualifies as "buy" the home
Building a new room or structure on the property	Yes	Qualifies as "build" on the home
Paying off credit cards	No	Not used to buy, build, or improve
College tuition for a family member	No	Not a qualifying home-related expense
Medical expenses	No	Not a qualifying home-related expense
Investment in stocks or other properties	No	Not used for the securing home
General living expenses	No	Not a qualifying home-related expense

Helping a family member with a down payment	No	Not used for your home
Mixed: 60% renovation, 40% debt payoff	Partial	Only the 60% used for home improvement qualifies

Key IRS rules you should know

Rule	Details
Qualifying Use Requirement	Under IRC Section 163(h)(3), as modified by the Tax Cuts and Jobs Act of 2017, HELOC interest is only deductible if the funds were used to "buy, build, or substantially improve" the home that secures the loan. This rule applies to tax years 2018 through 2025, and continues into 2026.
\$750,000 Debt Cap	For loans originated after December 15, 2017, the combined total of all mortgage debt (first mortgage plus HELOC) on which you can deduct interest is capped at \$750,000 for married filing jointly, or \$375,000 for married filing separately. Even if your HELOC was used for qualifying purposes, interest on debt above this cap is not deductible.
Grandfathered Loans	Mortgages originated before December 16, 2017 are grandfathered under the previous \$1 million limit (\$500,000 if married filing separately). If your original mortgage predates this cutoff but your HELOC was taken after, only the HELOC portion falls under the new rules.
Itemization Required	You must itemize deductions on Schedule A of Form 1040 to claim the mortgage interest deduction. If you take the standard deduction, you cannot claim HELOC interest regardless of how the funds were used.
Mixed-Use Allocation	If you used some HELOC funds for home improvement and some for other purposes, you can only deduct the portion of interest attributable to the qualifying use. Keep detailed records showing how much went to each purpose.
Documentation Is Essential	The IRS may require proof that funds were used for qualifying purposes. Keep receipts, contractor invoices, bank statements showing fund transfers, and before/after documentation of any home improvement work.

Worked example: Kitchen remodel with a HELOC

Let's walk through a common scenario:

Scenario

James and Linda took out a \$50,000 HELOC at 7.5% interest to remodel their kitchen. Their existing first mortgage balance is \$520,000. They file taxes jointly.

Step 1: Determine qualifying use

Kitchen remodel qualifies as "substantially improve" the home. The primary use is Home Improvement — this is a qualifying use.

Step 2: Calculate annual interest

$\$50,000 \times 7.5\% = \$3,750$ annual interest

Step 3: Check the mortgage debt cap

$\$520,000$ (first mortgage) + $\$50,000$ (HELOC) = $\$570,000$ total. This is within the $\$750,000$ cap.

Step 4: Determine deductibility

Since the funds were used for a qualifying purpose and the total mortgage debt is within the cap, the full $\$3,750$ in annual interest is deductible on Schedule A.

What If They Used \$30,000 for the Kitchen and \$20,000 to Pay Off Credit Cards?

In that case, only 60% of the interest would be deductible (the portion attributable to home improvement). That means $\$3,750 \times 60\% = \$2,250$ deductible, and $\$1,500$ non-deductible. James and Linda would need to keep documentation proving how the funds were allocated between the two uses.

Common mistakes to avoid

Assuming all HELOC interest is deductible. Before 2018, it was. After the Tax Cuts and Jobs Act, only interest on funds used for qualifying home purposes is deductible.

Not keeping documentation. If audited, the IRS will want proof of how HELOC funds were used. Save all contractor invoices, receipts, and bank statements.

Forgetting the \$750,000 combined debt cap. Even if your HELOC was used for qualifying purposes, interest on debt above \$750,000 total is not deductible.

Not itemizing deductions. You must file Schedule A with itemized deductions to claim mortgage interest. If the standard deduction is higher, you cannot claim HELOC interest.

Ignoring the loan origination date. Pre-December 2017 mortgages may be grandfathered under the old \$1 million cap. Check your closing date.

Putting It All Together

How these two tools complement each other

While the Gift Tax Exposure Calculator and HELOC Deductibility Checker address different tax situations, they share a common thread: both deal with property-related decisions that carry tax consequences most homeowners do not anticipate.

Consider a scenario where a parent adds their adult child to a property deed (triggering a potential gift tax filing) and also has a HELOC on the same property (with interest that may or may not be deductible). Running both tools provides a complete picture of the tax landscape for that property.

Together, these tools help you:

- Understand IRS reporting requirements before you act
- Estimate the financial impact of property-related decisions
- Identify situations where professional tax advice is needed
- Avoid penalties from missed filings or incorrect deductions

When to consult a professional

These tools are educational and provide estimates based on general IRS rules. You should consult a CPA or Enrolled Agent specializing in real estate taxation in these situations:

- The calculator indicates a Form 709 filing is required — especially if the transfer already occurred in a prior year
- You have a complex HELOC situation with mixed-use funds
- Your total mortgage debt is near or above the \$750,000 cap
- You are considering gifting property as part of an estate plan
- You have prior-year gifts that were not reported
- Your state has its own gift tax or mortgage interest rules that differ from federal rules

IMPORTANT: Educational Purposes Only

Both Senior's Corner tools provide estimates based on general IRS rules. They do not account for state-specific tax rules, prior gifts in the same year, AMT calculations, or other factors that may affect your individual situation. Always verify results with a qualified tax professional before making financial decisions or filing tax returns.

Where to go next

Senior's Corner is one part of the IntelliTC educational ecosystem. Here are your next steps:

Explore the 54 calculators — From cash flow analysis to mortgage comparisons, the full IntelliTC platform covers every aspect of real estate analysis.

Try the Learning Paths — Six structured paths take you from beginner to advanced across different real estate topics.

Earn ICREA Certificate Program — Test your knowledge with the IntelliTC Real Estate Analyst Certificate program across three tiers: Foundation, Professional, and Expert.

Read the other guides — The Getting Started, Going Deeper, and Mastering the Platform guides cover the full breadth of IntelliTC features.

Official IRS Sources

The following IRS resources were used as primary references for the rules built into both Senior's Corner tools:

[IRS — Frequently Asked Questions on Gift Taxes](#)

[IRS — About Form 709 \(Gift Tax Return\)](#)

[IRS — Instructions for Form 709 \(2025\)](#)

[IRS Publication 559 — Survivors, Executors, and Administrators](#)

[IRS — Interest on Home Equity Loans Often Still Deductible Under New Law](#)

[IRS Publication 936 — Home Mortgage Interest Deduction](#)

[IRS — About Schedule A \(Itemized Deductions\)](#)