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Certified Public Accountants

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Here's the Tax Beat broadcast for September 3

Subject Line: You Belong with Me (And The IRS)

The world has finally exhaled — Taylor Swift and Travis Kelce are officially engaged. Forget wars, politics, and inflation: this is the headline America needed. It's like Shakespeare meets the Super Bowl, with a soundtrack already topping the charts. But here, we're less concerned about the flowers, the venue, or whether Ed Sheeran sings at the reception. We're laser-focused on two things the IRS cares about most: the ring and the prenup.

Let's start with the ring. Yes, it's 10 carats of bling, big enough to qualify as its own dependent. It's also a gift, in the tax code's most literal sense. Gifts aren't taxable to the person receiving them, which means Taylor's in the clear. But the giver, poor Travis, may face gift tax consequences if the rock costs more than the \$19,000 annual exclusion. Spoiler alert: it costs more. So, Travis uses up part of his lifetime exemption, which is currently just under \$14 million. It's a good thing for Travis that Washington's "One Big Beautiful Bill" raised the exemption to \$15 million and made it permanent.

And what happens if, heaven forbid, the engagement doesn't stick? In some states, engagement rings are "conditional gifts." Translation: no wedding, no ring. Taylor would be legally obliged to return it, which raises the world's weirdest IRS question: does the gift tax unwind when the diamond does? Tax lawyers argue about this stuff the way Swifties argue over hidden Easter eggs in her lyrics. The IRS doesn't publish official guidance, probably because they're still trying to figure out who gets custody of the friendship bracelets.

Now let's move to the prenup. If the ring is the symbol of love, the prenup is the symbol of common sense. Taylor's catalog is a billion-dollar asset, carefully reclaimed from the clutches of Scooter Braun. Travis's NFL career has been lucrative, but even with his Super Bowl bonuses, he can't touch a Swift tour grossing eight figures a night. That's not a knock on him. It's just a reminder that when it comes to asset protection, love may be blind, but accountants are not.

A prenup decides how property gets divided if the fairy tale ever takes a dark turn and Taylor decides she and Travis are never ever getting back together again. And it's not just for people with champagne problems. Anyone with a business, real estate, or family wealth should think about one. Without it, your hard-earned empire could be split up like one of Taylor's breakup songs — messy, emotional, *and* with a bonus markup for the lawyers. With it, you set the rules ahead of time, which is way less romantic but infinitely more practical.

Prenups also prompt important conversations about ownership of businesses, appreciation of assets, and the tax consequences of dividing property. They encourage estate planning that anticipates not just “happily ever after” but also “what if.” And they help you sleep better knowing you won’t wake up one day to find your ex has half your LLC.

Of course, the IRS doesn’t care whether you’re serenading stadiums or catching touchdown passes inside them. To them, a gift is a gift, a contract is a contract, and love is just another opportunity for compliance. Tayvis’s engagement may be the love story of the decade, but it’s also a reminder that even fairy tales come with footnotes.

If you’re getting married, planning a wedding, or just curious how life events like these affect your finances, now’s the time to talk about it. Engagement rings and prenups aren’t romantic, but they’re part of protecting your financial future. Give us a call before your big day — we’ll help you avoid bad blood with the IRS.

Kevin

