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Who Pays Tax On Hef's Engagement Ring Sale?

At times it can seem like the IRS gets a piece of everything. If you're wondering if nothing is sacred, ask this: Will Crystal Harris pay the IRS when she sells the 3.39 carat diamond engagement ring would-be hubby Hugh Hefner gave her on their ([now aborted](#)) engagement?

Yup, the former Playmate is [selling the ring](#). It just brings back too many memories, she says tearfully. Of course, with 60 years between them—Hef is 85 to her 25—Hef's memory goes back almost before there **was** an income tax.

[Christie's](#) is selling the bauble at auction and expects it to fetch between \$20k and \$30k. Will Ms. Harris get to keep it all?

Apart from Christie's commission, there are taxes to consider. If Crystal had **found** the ring, she would be taxed when she found it. If its fair market value is \$30K, she would have tax to pay even if she didn't sell it to realize cash. If you win the lottery, win cash in a game show, or hit it big at the casino, you must pay tax.



Image via accesshollywood

It's even worse if you win goods instead of cash, since their value is income too. Remember when Pontiac gave away cars on Oprah? The recipients were on the hook for [taxes](#) even though they didn't receive cash.

But since Hef gave her the ring as a gift, there's no tax to Crystal. Hef may have filed a gift tax return reporting the bauble, and any gift tax would be his responsibility. On that note, we should point out to Hef this line from the [IRS website](#) with advice to girlfriends who've received rings:

“If your boyfriend gives you more than \$13,000 in gifts in any one year, then he may be required to file a form and pay gift tax.”

If the ring brings more at auction than its cost, then Ms. Harris has a taxable gain. Reports suggest Hef may have paid \$90k for the ring, so if it fetches only \$30k, there's no tax due. But suppose that at auction the bidding is feverish and the ring nets \$100K? Crystal has \$10k of income.

For more, see:

[FAQs on Gift Taxes](#)

[Getting Taxed Despite Giving To Charity](#)

[Need A Tax Receipt?](#)

[IRS Mines Real Estate Deeds To Collect Gift Tax](#)

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