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## Trusts and Estates Group Client Alert: Pending New Regulations Will Eliminate Certain Valuation Discounts for Gift and Estate Tax Purposes

A few days ago, IRS personnel advised that they are “getting close” to issuing gift and estate tax regulations under Section 2704 of the Internal Revenue Code that would disallow valuation discounts for interests in family entities such as corporations and partnerships and limited liability companies. While the content of the forthcoming regulations remains unknown, they could deny discounts not merely for interests in family-owned entities, but also for interests in private equity funds and hedge funds held by managers of the funds. There may or may not be exceptions for active businesses. The regulations will likely be made effective as of the date they are published. As the ability to make use of valuation discounts for gift tax purposes is often a very important element of effective estate planning, we urge you to contact us soon if you are interested in making gifts or entering into other estate planning transactions before these regulations are published.

**TRUSTS AND ESTATES  
GROUP**

Please feel free to discuss any aspects of this Client Alert with your regular Milbank contacts or any of the members of our Trusts and Estates Group.

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