

Client Alert

IRS Inflation-Adjusted Amounts for 2020

November 26, 2019

The IRS has released its annual inflation-indexed amounts for 2020:

1. The annual gift tax exclusion amount (i.e., the amount that can be given annually gift-tax-free to an unlimited number of donees) will remain at \$15,000 per donee (or \$30,000 for a married couple who elect to split gifts for the year).
2. The annual gift tax exclusion amount for gifts to a spouse who is not a United States citizen will increase to \$157,000.
3. The lifetime Federal gift and estate tax exclusion amount will increase to \$11.58 million per individual (or \$23.16 million for a married couple). The generation-skipping transfer tax exemption will likewise increase to \$11.58 million per individual (or \$23.16 million for a married couple).

New York has announced that the New York estate tax exclusion amount, commencing January 1, 2020, will be \$5.85 million (or \$11.7 million for a married couple).

Treasury Issues Final Anti-Clawback Regulations But Reserves For Future Anti-Abuse Rules

The Treasury Department and the IRS have finalized rules confirming that if taxpayers use the temporarily increased gift and estate tax exclusion amount – i.e., \$10 million per individual, plus inflation adjustments – before it reverts in 2026 to \$5 million, plus inflation adjustments, they will not lose the benefit of the increased exclusion amount after 2025. However, Treasury and the IRS also announced that they will propose anti-abuse rules that would deny the benefit of the enhanced exclusion to certain transfers. Please contact us to discuss how best to use the increased exclusion in light of the final regulations and future proposed regulations.

Proposals on Wealth Taxation

Members of Congress have introduced legislation to increase estate tax rates, reduce exemptions, and shut down planning techniques. Candidates for president have proposed a new wealth tax and other increased taxes on the wealthy. Please contact us if you wish to discuss possible protective planning.

December 2019 Interest Rates

The 7520 rate applicable to GRATs and charitable lead trusts is 2.0% for December 2019. The applicable federal rates (“AFRs”) for intra-family loans for December 2019 remain quite low—for example, 1.69%, compounded annually, for a loan with a term that is over three years but not over nine years. If you have investments that are likely to outperform these rates, now is an excellent time to create a GRAT or charitable lead annuity trust, or to make intra-family loans or refinance existing loans, in order to transfer appreciation in excess of the relevant hurdle rate free of gift tax.

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Trusts and Estates Group

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