

Client Alert

Lower Interest Rates, Using Remaining Exemptions, Timing of 2020 Transfers

August 25, 2020

Follow up on Record Low Interest Rates

IRS interest rates will reach another record low in September:

- The interest rate that applies to loans with a term of three years or less is 0.14%.
- The interest rate that applies to loans with a term of over three but not over nine years is 0.35%.
- The interest rate that applies to loans with a term of over nine years is 1.00%.
- The Section 7520 rate (the discount rate that applies to GRATs and CLATs) is 0.40%.

Given the low rates, now continues to be an advantageous time to create GRATs or CLATs, make loans to family members and trusts, sell assets in exchange for notes, or make charitable gifts of remainder interests in personal residences or farms. You may also wish to consider refinancing existing intra-family/inter-trust debt at these lower rates. We note that it is possible that, depending on the results of the November election, the use of GRATs may be limited by the next Congress as soon as January 2021.

Follow up on Using Remaining Tax Exemptions for Lifetime Gifts

As a follow up on prior Client Alerts, a reminder to consider making gifts this year in order to use up the temporarily increased federal gift and generation-skipping transfer tax exemption amounts (currently \$11,580,000). The exemption amounts available this year revert under current law to \$5 million per individual, plus inflation adjustments, after 2025, and could be reduced by the next Congress, possibly effective retroactively, as of January 1, 2021.

Timing of 2020 Transfers

Given the high demand we are already experiencing for making transfers before year-end, we strongly encourage clients who are interested in doing so to contact us immediately if they have not done so already. It will be very difficult to complete transfers this year if the work is not begun before the end of October. We say this because we are already seeing appraisers who are unable to take on new assignments that must be completed before year-end and banks discussing deadlines after which they will not be able to open new accounts before year-end.

Trusts & Estates Contacts

New York | 55 Hudson Yards, New York, NY 10001-2163

Austin Bramwell	abramwell@milbank.com	+1 212.530.5466
Georgiana J. Slade	gslade@milbank.com	+1 212.530.5616
James S. Sligar	jsligar@milbank.com	+1 212.530.5839
David J. Stoll	dstoll@milbank.com	+1 212.530.5880
Marceline B. Tempesta	mtempesta@milbank.com	+1 212-530-5887
Amy Albert	aalbert@milbank.com	+1 212.530.5638
Sean Doyle	sdoyle1@milbank.com	+1 212.530.5642
Raquel Genet	rgenet@milbank.com	+1 212.530.5216
Sean Imfeld	simfeld@milbank.com	+1 212.530.5322
Katie Lynagh	klynagh@milbank.com	+1 212.530.5435
Bich-Nga H. Nguyen	bnguyen@milbank.com	+1 212.530.5886
Leah Socash	lsocash@milbank.com	+1 212.530.5386
Davis Turner	dmartin1@milbank.com	+1 212.530.5595
Stephanie L. Vara	svara@milbank.com	+1 212.530.5588

Trusts & Estates Group

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