

have no New York trustees, no property located in New York, and no New York-source income). Second, the bill would eliminate a "loophole" that allows so-called incomplete gift, non-grantor trusts ("INGs" or "DINGs," if the trusts are created in Delaware) to completely avoid New York income tax; it would do so by making the trust a "grantor trust" for New York income tax purposes – meaning that the creator of the trust would be taxable on the trust's income for New York purposes, even though the creator is not taxable on that income for federal purposes. Although these proposals would be retroactive to January 1, 2014 if enacted, some transition rules would apply: accumulation distributions paid before June 1, 2014 would be exempt, and the ING rules would not apply to income from a trust that is liquidated before June 1, 2014.

**Comments.** This proposed legislation reflects recommendations from the Trusts and Estates section of the New York Bar Association that were included in the November 2013 report from the Tax Reform and Fairness Commission. According to the bill's supporting memorandum, the provisions would increase tax revenues by \$75 million in fiscal year 2014-15, \$225 million in fiscal year 2015-16, and \$150 million annually thereafter. In other words, these proposals are perceived as money-makers. Yet whether that would indeed be the case remains to be seen: wealthy New Yorkers seem unlikely to view these changes as "improvements" to the taxation of trusts, but rather, as another reason to move out of New York.

### January and February 7520 rates issued

The IRS has issued the January and February 2014 applicable federal rates: the January 7520 rate is 2.2%, an increase of 0.20% (20 basis points) from December's 2.0% rate. January's mid-term rates are also up slightly, and are: 1.75% (annual), 1.74% (semiannual and quarterly), and 1.73% (monthly). February's 7520 rate continues to climb: it is 2.4%, and the February mid-term rates are also up: 1.97% (annual), 1.96% (semiannual and quarterly) and 1.95% (monthly). December's mid-term rates were: 1.65% (annual), 1.64% (semiannual and quarterly), and 1.63% (monthly).

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Bianche Lark Christerson is a managing director at Deutsche Asset & Wealth Management in New York City, and can be reached at [bianche.christerson@db.com](mailto:bianche.christerson@db.com).

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