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of all relevant issues.*

UPDATE ON THE BIDEN ADMINISTRATION'S PROPOSED TAX CHANGES

The Treasury Department recently released its Greenbook outlining the Biden Administration's desired changes to the current tax code. The changes are ambitious and reflect the administration's focus on both evaluating and addressing untapped assets held by wealthy taxpayers.

PROPOSED CAPITAL GAINS CHANGES

Of particular note, the Treasury Department has again brought forward a proposal to eliminate the "step-up" in basis upon death. Transfers to spouses would remain exempt and would still receive a stepped-up basis. In a revamped effort, they now propose a five-million-dollar (\$5,000,000) exemption, portable to a spouse, for taxes due on unrealized capital gains. The Treasury Department has also proposed that transfers of property into, and distribution in kind from a trust other than a Grantor trust' would be a "recognition event." Sales to Grantor Trusts would also be viewed as a "recognizable gain."

PROPOSED CHANGES TO GRANTOR RETAINED ANNUITY TRUSTS ("GRATS")

The administration proposes a prohibition on decreasing the annuity amount during a GRAT Term, a prohibition on exchanges of assets, and a minimum and maximum term of years for a GRAT. The changes would be prospective.

TRUST REPORTING

In an effort to address the lack of information the IRS has in its possession regarding revocable living trusts, the administration proposes requiring trusts to report certain information to the IRS each year. Although the specific reportable information has yet to be identified, the reporting threshold would be trusts holding \$300,000 or more in assets or receiving over \$10,000 in annual income, based on the last day of the taxable year.

GENERATING SKIPPING TAX ("GST") EXEMPTION CHANGES

Given the recent pattern of states greatly increasing their respective rules against perpetuities, the administration is proposing that the GST exemption be limited to two generations below the transferor, and to younger generation beneficiaries who were alive at the creation of a trust.

ESTATE TAX EXEMPTIONS

For now, there is a proposed change to the current federal estate tax exemption, which is scheduled to sunset at the end of 2025.

While we wait for further clarity and indications as to how the legislature will craft proposals in line with the above, we are available to discuss the proposals and to make proactive, tailored recommendations considering the current changing tax law landscape.