

Special Edition: December 28, 2009

Estate Tax Repeal Starting in January 2010

Based on current law, the estate and generation-skipping transfer (GST) tax will be repealed for one year in 2010, with a modified carryover basis regime for assets transferred at death (each person will have a \$1,300,000 exemption from carryover basis, plus a \$3 million exemption for transfers to a surviving spouse). However, many commentators expect that the estate and GST tax for 2010 will be changed by new legislation early in 2010.

Under the modified carryover basis regime, for decedents dying in 2010 during estate tax repeal, the basis of property acquired from a decedent will be the lesser of the decedent's adjusted basis or the fair market value of the property as of the decedent's death. As a result, many estates/beneficiaries may be subject to capital gains tax upon sale of these assets.

The gift tax will not be repealed in 2010, but the maximum gift tax rate will be 35% in 2010 (down from 45% in 2009). The annual exclusion from gift tax will remain at \$13,000 and the lifetime gift exemption will remain at \$1,000,000 in 2010. Under current law, the estate and GST tax will return on January 1, 2011, with an exemption of \$1,000,000 per person in 2011, and a maximum rate of 55%.

For updates on the estate tax legislation, listen to John Hancock Advanced Markets (JHAM) Radio broadcasts at www.jhsalesnet.com → click on “Advanced Markets Group” → “JHAM Radio.”

ONE YEAR LIBOR RATE
As of December 24, 2009: .97%

PRIME RATE
As of December 24, 2009: 3.25%

IRC SECTION 7520 RATE		
December	2009	3.2%
November	2009	3.2%
October	2009	3.2%

The §7520 rate is used to value GRITs, QPRTs, CRATs, CLUTs, CLATs, private annuities, life interest, remainder and reversionary interests. To value a charitable gift for income, gift, or estate tax charitable deduction purposes, use either the rate for the month of the actual gift/transfer or the rate from either of the two previous months (use the highest of the three months for the largest charitable deduction).

APPLICABLE FEDERAL RATES – DECEMBER				
	Annual	Semi Annual	Quarterly	Monthly
Short-term AFRs – loans (3 years or less)	0.69%	0.69%	0.69%	0.69%
Mid-term AFR – (More than 3 years up to and including 9 years)	2.64%	2.62%	2.61%	2.61%
Long-term AFRs – (More than 9 years)	4.17%	4.13%	4.11%	4.09%

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