

## **FALL 2016 – RECENT TAX DEVELOPMENTS**

*Proposed regulations would close family business estate/gift tax loopholes.* In August, the IRS issued new proposed regulations that would close two estate and gift tax loopholes. These complex loopholes treat the lapse of certain rights in a family business as a transfer to family members, and value transfers of an interest in a family business to a family member without considering certain restrictions on that interest. Taxpayers or their estates owning closely held businesses or other entities have used these loopholes to lower the taxable value of their transferred assets and thereby minimize their estate or gift tax burden. There is still time to act, however, as the loopholes will remain open until final regulations are issued.

*IRS agrees that residence interest limits are applied separately for unmarried co-owners.* The IRS has announced its acquiescence to a decision of the Court of Appeals for the Ninth Circuit that the limitations on deductions for qualified residence interest (\$1 million of acquisition debt and \$100,000 of home equity debt) are applied on a per-individual basis, and not a per-residence basis. Thus, the IRS now agrees that unmarried co-owners are collectively limited to a deduction for interest paid on a maximum of \$2.2 million, rather than \$1.1 million, of acquisition and home equity debt.