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THE AMERICAN COLLEGE OF
TRUST AND ESTATE COUNSEL

2021

POCKET TAX TABLES

COMPILING EDITORS

SUSAN T. BART

KAREN S. GERSTNER

901 15th Street, N.W. Suite 525
Washington, D.C. 20005

actec.org/tax-tables
publications@actec.org

SELECTED FEDERAL¹ TAX RETURN DUE DATES

April 15, 2021	First estimated installment, calendar year 1041s, and 709s.
May 17, 2021²	1040s, and taxes on 1040s for 2020.
May 17, 2021	Form 990.
June 15, 2021	Second estimated installment.
September 15, 2021	Third estimated installment.
October 1, 2021	2020 1041s with 5½ month extension.
October 15, 2021	2020 1040s with 6 month extension.
January 18, 2022	Fourth estimated installment.

¹ State tax deadline extensions may vary.

² See [Notice 2021-21](#). Taxpayers in Texas, Oklahoma and Louisiana have been granted disaster relief and have until June 15, 2021 to file 2020 income tax returns and to pay first quarter estimates for 2021. See [IR 2021-43](#).

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POCKET TAX TABLES Revised through March 1, 2021

Although care was taken to make these Pocket Tax Tables an accurate, handy reference, they should not be relied upon as the final basis for action. Neither the College nor the individual editors and advisors (who have volunteered their time and experience in the preparation of the tables) assume any responsibility for the accuracy of the information contained in the tables.

Compiling Editors

Susan T. Bart

Karen S. Gerstner

The American College of Trust and Estate Counsel

901 15th Street, N.W. Suite 525

Washington, D.C. 20005

Phone: (202) 684-8460 • Fax: (202) 684-8459

Email: publications@actec.org • Web Page: actec.org

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INCOME TAX
Married Filing a Joint Return
[or surviving spouse as defined in IRC 2(a)]
Tax Years Beginning in 2021

Taxable Income Bracket Amount	Tax on Bracket Amount	Tax Rate on Excess Over Bracket Amount
Less than 19,900	-0-	10%
19,900	1,990	12%
81,050	9,328	22%
172,750	29,502	24%
329,850	67,206	32%
418,850	95,686	35%
628,300	168,993.50	37%

“Taxable income” means:

1. Adjusted gross income (AGI) as defined in IRC 62,
2. Less (a) itemized deductions* or (b) if greater, the standard deduction of \$25,100** increased by \$1,350 for each taxpayer who is blind or who is over age 65 (or, if both, by \$2,700), and
3. Any deduction for qualified business income (QBI).

A portion of Social Security benefits (“SSB”) may be included in gross income if MAGI-PLUS* exceeds \$32,000 [IRC 86]. If MAGI-PLUS:**

- a. Is \$44,000 or less, the amount of SSB included is the lesser of (i) 50% of SSB or (ii) 50% of the excess of MAGI-PLUS over \$32,000 or
- b. Is over \$44,000, the amount of SSB included is the lesser of (i) 85% of SSB or (ii) the sum of \$6,000 (or the amount determined under a above, if less) plus 85% of the excess of MAGI-PLUS over \$44,000.

* Itemized deductions are no longer reduced by a percentage of AGI in excess of a certain amount. “Miscellaneous deductions” are not allowed. The deduction for state and local taxes is limited to \$10,000.

** If either taxpayer is allowable as a dependent of another, the standard deduction must not exceed the greater of (a) \$1,100 or (b) \$350, plus earned income [IRC 63(c)(5)].

*** MAGI-PLUS is AGI (without any SSB) plus IRC 135 excludable tuition bond income, IRC 137 excludable employee adoption assistance benefit, IRC 221 interest deduction on education loans, IRC 222 qualified tuition, IRC 911, 931, and 933 excludable foreign earned income, tax exempt interest, and 50% of SSB.

For federal tax purposes the terms “spouse,” “husband and wife,” “husband” and “wife” include an individual married to a person of the same sex.

Head of Household
[as defined in IRC 2(b) and, if married living apart with
dependent child, see IRC 7703(b)]

Tax Years Beginning in 2021

Taxable Income Bracket Amount	Tax on Bracket Amount	Tax Rate on Excess Over Bracket Amount
Less than 14,200	-0-	10%
14,200	1,420	12%
54,200	6,220	22%
86,350	13,293	24%
164,900	32,145	32%
209,400	46,385	35%
523,600	156,355	37%

“Taxable income” means:

1. Adjusted gross income (“AGI”) as defined in IRC 62,
2. Less (a) itemized deductions* or (b) if greater, the standard deduction of \$18,800** increased by \$1,700 if taxpayer is blind or over age 65 (or, if both, by \$3,400 [IRC 63(f)], and
3. Any deduction for qualified business income (QBI).

A portion of Social Security benefits (“SSB”) may be included in gross income if MAGI-PLUS* exceeds \$25,000 [IRC 86].** If MAGI-PLUS:

- a. Is \$34,000 or less, the amount of SSB included is the lesser of (i) 50% of SSB or (ii) 50% of the excess of MAGI-PLUS over \$25,000
or
- b. Is over \$34,000, the amount of SSB included is the lesser of (i) 85% of SSB or (ii) the sum of \$4,500 (or the amount determined under a above, if less) plus 85% of the excess of MAGI-PLUS over \$34,000.

* Itemized deductions are no longer reduced by a percentage of AGI in excess of a certain amount. “Miscellaneous deductions” are not allowed. The deduction for state and local taxes is limited to \$10,000.

** If either taxpayer is allowable as a dependent of another, the standard deduction must not exceed the greater of (a) \$1,100 or (b) \$350, plus earned income [IRC 63(c)(5)].

*** MAGI-PLUS is AGI (without any SSB) plus IRC 135 excludable tuition bond income, IRC 137 excludable employee adoption assistance benefit, IRC 221 interest deduction on education loans, IRC 222 qualified tuition, IRC 911, 931, and 933 excludable foreign earned income, tax exempt interest, and 50% of SSB.

Single Individual
Tax Years Beginning in 2021

Taxable Income Bracket Amount	Tax on Bracket Amount	Tax Rate on Excess Over Bracket Amount
Less than 9,950	-0-	10%
9,950	995	12%
40,525	4,664	22%
86,375	14,751	24%
164,925	33,603	32%
209,425	47,843	35%
523,600	157,804.25	37%

“Taxable income” means:

1. Adjusted gross income (AGI) as defined in IRC 62,
2. Less (a) itemized deductions* or (b) if greater, the standard deduction of \$12,550** increased by \$1,700 if taxpayer is blind or over age 65 (or, if both, by \$3,400), and
3. Any deduction for qualified business income (QBI).

A portion of Social Security benefits (SSB) may be included in gross income if MAGI-PLUS* exceeds \$25,000** [IRC 86]. If MAGI-PLUS:

- a. Is \$34,000 or less, the amount of SSB included is the lesser of (i) 50% of SSB or (ii) 50% of the excess of MAGI-PLUS over \$25,000
or
- b. Is over \$34,000, the amount of SSB included is the lesser of (i) 85% of SSB or (ii) the sum of \$4,500 (or the amount determined under a above, if less) plus 85% of the excess of MAGI-PLUS over \$34,000.

* Itemized deductions are no longer reduced by a percentage of AGI in excess of a certain amount. “Miscellaneous deductions” are not allowed. The deduction for state and local taxes is limited to \$10,000.

** If taxpayer is allowable as a dependent of another, the standard deduction must not exceed the greater of (a) \$1,100 or (b) \$350, plus earned income [IRC 63(c)(5)].

*** MAGI-PLUS is AGI (without any SSB) plus IRC 135 excludable tuition bond income, IRC 137 excludable employee adoption assistance benefit, IRC 221 interest deduction on education loans, IRC 222 qualified tuition, IRC 911, 931, and 933 excludable foreign earned income, tax exempt interest, and 50% of SSB.

KIDDIE TAX—Unearned income of a child under age 18, and in some cases age 18 to 23, is taxed for 2021 at the parent’s marginal rate [IRC 1(g)].

Married Filing a Separate Return

Tax Years Beginning in 2021

Taxable Income Bracket Amount	Tax on Bracket Amount	Tax Rate on Excess Over Bracket Amount
Less than 9,950	-0-	10%
9,950	995	12%
40,525	4,664	22%
86,375	14,751	24%
164,925	33,603	32%
209,425	47,843	35%
314,150	84,496.75	37%

“Taxable income” means:

1. Adjusted gross income (AGI) as defined in IRC 62,
2. Less (a) itemized deductions* or (b) if greater, the standard deduction of \$12,550** increased by \$1,350 if taxpayer is blind or over age 65 (or, if both, by \$2,700), but if either spouse itemizes deductions, the other has a zero standard deduction [IRC 63(c)(6)], and
3. Any deduction for qualified business income (QBI).

A portion of Social Security benefits (“SSB”) may be included in gross income [IRC 86]. The amount included is the lesser of:

- a. 85% of SSB or
- b. 85% of MAGI-PLUS***.

* Itemized deductions are no longer reduced by a percentage of AGI in excess of a certain amount. “Miscellaneous deductions” are not allowed. The deduction for state and local taxes is limited to \$5,000.

** If the taxpayer is allowable as a dependent of another, the standard deduction must not exceed the greater of \$1,100 or the sum of earned income plus \$350 [IRC 63(c)(5)].

*** MAGI-PLUS is AGI (without any SSB) plus IRC 135 excludable tuition bond income, IRC 137 excludable employee adoption assistance benefit, IRC 221, interest deduction on education loans, IRC 222 qualified tuition, IRC 911, 931, and 933 excludable foreign earned income, tax exempt interest, and 50% of SSB.

NOTE—For any taxable year in which one spouse dies, the surviving spouse must file either a joint return or a married filing separately return [IRC 6013(d)(1)(B)].

Trusts and Estates

- No attempt is made here to describe the tax rules applicable to special kinds of irrevocable trusts (such as **charitable trusts, QSFs, ESBTs, QSSTs, bankruptcy estates, legal life estates, qualified plan trusts**, and so on).
- To the extent that any portion of an irrevocable trust is treated as a grantor trust under IRC 671, the grantor reports the income, deductions, and credits attributable to that portion as though the grantor owned that portion.

Tax Years Beginning in 2020

Taxable Income Bracket Amount	Tax on Bracket Amount	Tax Rate on Excess Over Bracket Amount
Less than 2,600	-0-	10.0%
2,600	260	24.0%
9,450	1,904	35.0%
12,950	3,129	37.0%

Tax Years Beginning in 2021

Taxable Income Bracket Amount	Tax on Bracket Amount	Tax Rate on Excess Over Bracket Amount
Less than 2,650	-0-	10.0%
2,650	265	24.0%
9,550	1,921	35.0%
13,050	3,146	37.0%

“Taxable income” means:

1. Gross income as defined in IRC 61,
2. Less itemized deductions (other than miscellaneous itemized deductions),
3. Less other deductions “which would not have been incurred if the property were not held in such trust or estate,”
4. Less distribution deduction under IRC 651 or 661, and
5. Less a personal exemption under IRC 642(b) of:
 - \$600 for an estate,
 - \$300 for a trust that is required to distribute all of its income currently, or
 - \$100 for all other trusts.

-
- A. Quarterly estimated tax payments are required for all trust taxable years, and for all estate taxable years ending after the second anniversary of death. For this purpose, a trust:
 1. All of which was treated as owned by a decedent and
 2. To which the residue of the decedent’s estate will pass by (or, if there is no will, which is the trust primarily responsible for paying debts, taxes, and expenses) is treated like an estate [IRC 6654(l)].
 - B. Trust tax years, except for wholly charitable trusts, must close on December 31 [IRC 645].
 - C. The “65 day” and “separate share” rules under IRC 663 (b) and (c) apply to both “complex” trusts under IRC 661 and 662 and estates.

- D. Losses on transactions between an estate and its beneficiaries or trusts and their beneficiaries are disallowed but losses that result from an estate’s satisfaction of a pecuniary bequest are not disallowed [IRC 267(b)(13)].
- E. Certain revocable trusts are treated as part of an estate for income tax purposes,
 - 1. If a trustee of a decedent’s revocable trust and the decedent’s executor, if any, irrevocably elect such treatment on a statement attached to the estate’s timely filed (including extensions) first year income tax return, and
 - 2. If the decedent’s revocable trust was a “qualified revocable trust”— that is, it was treated as owned by the decedent under IRC 676 by reason of the decedent’s power to revoke such trust [without regard to IRC 672(e)], then such trust will be taxed as part of the estate (subject to estate, rather than trust, income tax rules) for tax years of the estate ending before the “applicable date”—which is:
 - a. The second anniversary of the decedent’s death or
 - b. If an estate tax return is required to be filed, the date which is the 6-month anniversary of the final determination of estate tax. A qualified revocable trust can be a portion of a revocable trust (for example, one spouse’s portion of a married couple’s joint revocable trust).

Capital Gains Rates and Rules

For Individuals

A. Maximum capital gains rates.

Capital assets held for more than one year are taxed at long term capital gains rates. Short term gains (on assets held one year or less) are included in ordinary income. Prior to 2018, noncorporate taxpayers paid tax on net capital gain at a tax rate of (a) 20% if the gain would be taxed at the 39.6% rate if it were ordinary income; (b) 15% if the gain would be taxed at the 25%, 28%, 33%, or 35% rate if it were ordinary income; and (c) 0% if the gain would be taxed at a 10% or 15% rate if it were ordinary income. However, for 2021, long-term capital gains are taxed at their own brackets as follows:

	<u>Single</u>	<u>Joint or Surviving Spouse</u>	<u>Head of Household</u>	<u>Married Filing Separately</u>
0% tax bracket	\$0-40,400	\$0-80,800	\$0-54,100	\$0-40,400
15% tax bracket	\$40,401-445,850	\$80,801-501,600	\$54,101-473,750	\$40,401-250,800
20% tax bracket	over \$445,850	over \$501,600	over \$473,750	over \$250,800

Special rates apply to capital gain on unrecaptured section 1250 gain (a maximum rate of 25%) and capital gain on collectibles (a maximum rate of 28%). The benefit of these maximum rate provisions does not apply to the extent net capital gain is elected to be included in investment income for purposes of computing deductible investment interest expense under IRC 163(d).

In addition, the 3.8% net investment income tax includes net gain included in gross income from the disposition of property other than certain property held in a trade or business. In the case of an individual, the 3.8% tax is imposed on the lesser of net investment income or the excess of modified adjusted gross income over the threshold amount. The threshold amount is \$250,000 in the case of a joint return or surviving spouse, \$125,000 in the case of a married individual filing a separate return, and \$200,000 in any other case.

- B. Net capital losses—are deductible against ordinary income up to \$3,000 (\$1,500 for married filing separately) per year [IRC 1211(b)]. For carryover purposes, under IRC 1212(b)(2), such capital loss (“CL”) deduction “uses up” net short-term capital losses (“STCL”) first, and is the lesser of:
1. Such CL deduction [that is, such \$3,000 (or \$1,500) amount or the lesser amount of net CL] or
 2. Taxable income after adding back (a) said CL deduction and (b) personal exemptions (with any allowable deduction over gross income for such year taken into account as negative taxable income).
- The remaining current year net STCL (the excess of STCL over LTCG) and net LTCL (the excess of LTCL over STCG) are carried over to future years (but not beyond death—see Rev. Rul. 74-175).
- C. Dividend income—Dividends are taxed at the same rates as ordinary income, except for qualified dividends which are taxed at capital gains rates. [IRC 1(h)(11)].

Alternative Minimum Tax [IRC 55]

Exemption Amounts

2021

Single	\$73,600
Married filing jointly	\$114,600
Married filing separately	\$57,300
Trusts and estates	\$25,700

Excess Taxable Income Above Which 28% Tax Rate Applies

Married filing separately	\$99,950
Joint returns, unmarried, trusts and estates	\$199,900

Amounts Used to Determine Phaseout of Exception

Single	\$523,600
Married filing jointly	\$1,047,200
Married filing separately	\$523,600
Trust and estates	\$85,650

The AMT exemption amounts and the dollar amounts at which the phase-out of the basic AMT exemption amount begins are indexed for inflation. Certain nonrefundable personal credits may offset AMT liability.

**Long-Term Care Insurance Premiums Allowed As “Medical Care”
[IRC 213(d)(10)]**

<u>Attained Age before Close of the Tax Year</u>	<u>2020 Maximum Premium Deduction</u>	<u>2021 Maximum Premium Deduction</u>
40 or less	\$ 430	\$ 450
More than 40, but no more than 50	\$ 810	\$ 850
More than 50, but no more than 60	\$ 1,630	\$ 1,690
More than 60, but no more than 70	\$ 4,350	\$ 4,520
More than 70	\$ 5,430	\$ 5,640

**Health Savings Accounts (HSA)
Limit on Deductible Contributions [IRC 223]**

Self-Only Coverage: For taxable years beginning in 2021, the term “high deductible health plan” as defined in § 220(c)(2)(A) means, for self-only coverage, a health plan that has an annual deductible that is not less than \$1,400 and not more than \$3,600, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$7,000.

Family Coverage: For taxable years beginning in 2021, the term “high deductible health plan” means, for family coverage, a health plan that has an annual deductible that is not less than \$2,800 and not more than \$7,200, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$14,000.

Mileage Rates for Deduction Purposes

	2020	2021
Business	\$.575	\$.56
Charitable	\$.14	\$.14
Medical/Moving	\$.17	\$.16

New Section 199A

Tax law changes which became effective on January 1, 2018 permit individuals a 20% deduction from qualified business income from a partnership, S corporation, or sole proprietorship. The deduction is limited to the greater of (1) 50% of the W-2 wages with respect to the trade or business, or (2) the sum of 25% of the W-2 wages, plus 2.5% of the unadjusted basis immediately after acquisition of all qualified property (generally, tangible property subject to depreciation under IRC 167). Taxpayers with taxable years beginning in 2020 and taxable income for the year of less than \$164,900 for the year (\$329,800 for married filing jointly) are not subject to the W-2 wage limitations and the limitation is phased in for taxpayers with taxable income above those thresholds. Income from specified service businesses is not excluded from qualified business income for taxpayers with taxable income under the same threshold amounts. A full discussion of this complex new section is beyond the scope of this publication.

Corporate Income Tax

1. Corporations are taxed at a flat 21% rate.
2. Corporate net capital gains (whether short-term or long-term) are taxable income taxed at the same rates as corporate ordinary income.
3. Excess corporate capital losses are subject to a 3-year carryback and 5-year carry forward (as short-term capital loss) but may be used only to reduce corporate capital gains [IRC 1212(a)].
4. The NOL deduction for a tax year is equal to the lesser of (1) the aggregate of the NOL carryovers to such year, plus the NOL carry-backs to such year, or (2) 80% of taxable income (determined without regard to the deduction) [IRC 172(a)]. Generally, NOLs can no longer be carried back but are allowed to be carried forward indefinitely [IRC 172(b)(1)(A)].

Personal holding company penalty tax—if a corporation is a “personal holding company,” it must pay a penalty tax of 20% on its “undistributed personal holding company income” less any “deficiency dividend” under IRC 547 [IRC 541].

Corporate alternative minimum tax (AMT) has been repealed for years beginning after 2017. Some AMT credit carryforwards partial refund of AMT credits may be available.

SOCIAL SECURITY

General Rules

2021 Social Security and Medicare taxes—

- a. An employer pays a 7.65% FICA tax, consisting of:
 - 1) 6.20% Social Security tax on the first \$142,800 of an employee’s wages (maximum tax is \$8,853.60 [6.20% of \$142,800]), plus
 - 2) 1.45% Medicare tax on the employee’s total wages (no ceiling).
- b. An employee pays:
 - 1) 6.20% Social Security tax on the first \$142,800 of wages (maximum tax is \$8,853.60 [6.20% of \$142,800]), plus
 - 2) 1.45% Medicare tax on the first \$200,000 of wages (\$250,000 for joint returns; \$125,000 for married taxpayers filing a separate return), plus
 - 3) 2.35% Medicare tax (regular 1.45% Medicare tax plus 0.9% additional Medicare tax) on all wages in excess of \$200,000 (\$250,000 for joint returns; \$125,000 for married taxpayers filing a separate return).

Maximum allowable retirement “earnings”—

- a. If under full retirement age \$1 is deducted from benefits for every \$2 earned over earnings limit—\$18,960 in 2020.
- b. Full retirement age depends on year of birth. For persons born after 1959, full retirement age is 67 years.
- c. In the year in which full retirement age is reached, \$1 in benefits is deducted for every \$3 earned above \$50,520 but only earnings before the month in which full retirement age is reached are counted.
- d. Beginning with the month of the birthday in which full retirement age is attained, all earnings are ignored.

Social Security Full Retirement Age

<u>Year of Birth</u>	<u>Full Retirement Age</u>	<u>*Age 62 Reduction (in Months)</u>	<u>**Maximum Reduction</u>
1937 and earlier	65	36	20.00%
1938	65 and 2 months	38	20.83%
1939	65 and 4 months	40	21.67%
1940	65 and 6 months	42	22.50%
1941	65 and 8 months	44	23.33%
1942	65 and 10 months	46	24.17%
1943-1954	66	48	25.00%
1955	66 and 2 months	50	25.83%
1956	66 and 4 months	52	26.67%
1957	66 and 6 months	54	27.50%
1958	66 and 8 months	56	28.33%
1959	66 and 10 months	58	29.17%
1960 and later	67	60	30.00%

Social Security Delayed Retirement Credits

Social Security benefits are increased if retirement is delayed beyond full retirement age. Delayed retirement credits max out at age 70. If retirement is delayed Medicare is still available at age 65.

<u>Year of Birth</u>	<u>Yearly Rate of Increase</u>	<u>Monthly Rate of Increase</u>
1933-1934	5.5%	11/24 of 1%
1935-1936	6.0%	1/2 of 1%
1937-1938	6.5%	13/24 of 1%
1939-1940	7.0%	7/12 of 1%
1941-1942	7.5%	5/8 of 1%
1943 or later	8.0%	2/3 of 1%

Federal Income Taxation of Social Security Benefits

Determining if Subject to Taxation: Social Security payments, including disability and survivor benefits, are partially subject to taxation if modified adjusted gross income (MAGI), plus one-half of such benefits, exceed the “Base Amount” of \$32,000 (if married filing jointly), \$25,000 (for most other individuals), and zero (for married individuals filing separately but not living apart for the entire year). MAGI is AGI for regular tax purposes, with a number of possible adjustments, plus exempt interest [IRC 86].

If Taxable, Amount of Benefits Subject to Taxation: If subject to taxation, the amount of such benefits which are taxable will generally be the lesser of: (A) 50% of such Social Security payments, or (B) one-half of the amount by which MAGI exceeds the Base Amount. However, if MAGI and one-half of such benefits exceed the Adjusted Base Amount of \$44,000 (if married filing jointly), \$34,000 (for most other individuals) or zero (for married individuals filing separately but not living apart for the entire year), then a complex formula can subject up to 85% of such Social Security payments to taxation [IRC 86].

ESTATE AND GIFT TAX

Tax Exclusion, Credits, and Exemption Amounts

1998-2021 Transfers

Year	Estate Tax Applicable Exclusion Amounts*	Applicable Estate Tax** Credit Amounts***	Gift Tax Lifetime Exemption	Starting Tax Rate on Estate (or Gift) above Exclusion Amount
1998	625,000	202,050	625,000	37%
1999	650,000	211,300	650,000	37%
2000	675,000	220,550	675,000	37%
2001	675,000	220,550	675,000	37%
2002	1,000,000	345,800	1,000,000	41%
2003	1,000,000	345,800	1,000,000	41%
2004	1,500,000	555,800	1,000,000	45%
2005	1,500,000	555,800	1,000,000	45%
2006	2,000,000	780,800	1,000,000	46%
2007	2,000,000	780,800	1,000,000	45%
2008	2,000,000	780,800	1,000,000	45%
2009	3,500,000	1,455,800	1,000,000	45%
2010	5,000,000	1,730,800	1,000,000	35%
2011	5,000,000	1,730,800	5,000,000	35%
2012	5,120,000	1,772,800	5,120,000	35%
2013	5,250,000	2,045,800	5,250,000	40%
2014	5,340,000	2,081,800	5,340,000	40%
2015	5,430,000	2,117,800	5,430,000	40%
2016	5,450,000	2,125,800	5,450,000	40%
2017	5,490,000	2,141,800	5,490,000	40%
2018	11,180,000	4,417,800	11,180,000	40%
2019	11,400,000	4,505,800	11,400,000	40%
2020	11,580,000	4,577,800	11,580,000	40%
2021	11,700,000	4,625,800	11,700,000	40%

* The “applicable exclusion amount” is the taxable amount that would produce each year’s credit amount shown above if that taxable amount were subject to tax computed on the unified transfer tax rate table [see IRC 2010(c)]. The applicable exclusion amount is indexed for inflation for years after 2011. The applicable exclusion amount for the surviving spouse of a deceased spouse dying after 12/31/2010 includes the “deceased spousal unused exclusion amount” (“DSUEA”).

** The estate and gift tax exemption amounts were not the same for years 2004-2010 and credit shown only applies to the estate tax.

*** The applicable credit is reduced by 20% of the prior law’s lifetime \$30,000 specific gift tax exemption used in the calculation of taxable gifts made after September 8, 1976 and before 1977 [IRC 2010(b)].

Special Estate Reduction Limits

Special Use Valuation — Maximum reduction is \$1,190,000 in 2021, up from \$1,180,000 in 2020. Amount is adjusted for inflation annually [IRC 2032A].

Qualified Conservation Easement — Maximum exclusion is \$500,000 [IRC 2031(c)].

Annual Gift Tax Exclusion IRC 2503(b)

<u>Calendar Years</u>	<u>Amount</u>
1932 through 1938	5,000
1939 through 1942	4,000
1943 through 1981	3,000
1982 through 2001	10,000
2002 through 2005	11,000
2006 through 2008	12,000
2009 through 2012	13,000
2013 through 2017	14,000
2018, 2019, 2020 and 2021	15,000

Former Maximum Credit for State Death Taxes

Taxable Estate	Adjusted Taxable Estate*	Credit on Left Column Bracket Amount	Credit Rate on Excess over Bracket Amount
100,000	40,000	-0-	0.8%
150,000	90,000	400	1.6%
200,000	140,000	1,200	2.4%
300,000	240,000	3,600	3.2%
500,000	440,000	10,000	4.0%
700,000	640,000	18,000	4.8%
900,000	840,000	27,600	5.6%
1,100,000	1,040,000	38,800	6.4%
1,600,000	1,540,000	70,800	7.2%
2,100,000	2,040,000	106,800	8.0%
2,600,000	2,540,000	146,800	8.8%
3,100,000	3,040,000	190,800	9.6%
3,600,000	3,540,000	238,800	10.4%
4,100,000	4,040,000	290,800	11.2%
5,100,000	5,040,000	402,800	12.0%
6,100,000	6,040,000	522,800	12.8%
7,100,000	7,040,000	650,800	13.6%
8,100,000	8,040,000	786,800	14.4%
9,100,000	9,040,000	930,800	15.2%
10,100,000	10,040,000	1,082,800	16.0%

* “Adjusted taxable estate” means the taxable estate reduced by \$60,000 [IRC 2011(b)].

NOTE: Although not applicable for federal estate tax purposes for decedents dying after 12/31/04, several states still base their state death tax on the credit for state death taxes.

GENERATION-SKIPPING TRANSFER TAX

GST Tax Exemption

1998-2021 Transfers

Year	GST Exemption*	Flat Tax Rate
1998	1,000,000	55%
1999	1,010,000	55%
2000	1,030,000	55%
2001	1,060,000	55%
2002	1,100,000	50%
2003	1,120,000	49%
2004	1,500,000	48%
2005	1,500,000	47%
2006	2,000,000	46%
2007	2,000,000	45%
2008	2,000,000	45%
2009	3,500,000	45%
2010	5,000,000	0%
2011	5,000,000	35%
2012	5,120,000	35%
2013	5,250,000	40%
2014	5,340,000	40%
2015	5,430,000	40%
2016	5,450,000	40%
2017	5,490,000	40%
2018	11,180,000	40%
2019	11,400,000	40%
2020	11,580,000	40%
2021	11,700,000	40%

*Indexed for inflation for years after 2011.

Generation-Skipping Transfer Tax Rules

The term “**generation-skipping transfer**” (GST) means a taxable distribution, taxable termination, or direct skip, all as defined in IRC 2612.

Effective Dates

The GST tax applies to **any GST made after 10/22/86**, the date of enactment [TRA '86 §1433(b) et seq]. **However—**

1. **Pre-enactment period**—transfers made **after 09/25/85** and before 10/23/86 are to be **treated as though made on 10/23/86**.
2. **Grandfathered trusts**—any trust which was “**irrevocable**” on **09/25/85** (other than a general power of appointment or “estate” type marital trust) is “grandfathered”—that is, the GST tax applies to it only to the extent that a taxable distribution or taxable termination involves property added (or deemed added) to the trust after 09/25/85.

3. **Incompetent persons**—any transfer of assets included in the gross estate of a decedent who was mentally incompetent on 10/22/86 and did not regain competence before death is exempt (except assets transferred to the incompetent person after 08/03/90 or from a post-10/21/88 QTIP trust).

Rates, Exemptions, and Definitions

- A. **The GST tax rate** is the maximum federal estate tax rate, for example, 40% after 2012. To reflect the extent to which the transferor's GST exemption is allocated to the trust (or transfer), the 40% rate is multiplied by the trust's (or transfer's) "**inclusion ratio**" (described below) to produce the "**applicable rate**" [IRC 2641]. This rate is then applied to the taxable amount of the generation-skipping transfer to determine the GST tax on that transfer [IRC 2602]. If the transfer is a taxable distribution or termination, the taxable amount includes the GST tax itself - like the estate tax, the GST tax is tax inclusive [IRC 2621(b) and 2622]. On the other hand, direct skips, like the gift tax, are tax exclusive [IRC 2623].
- B. **The GST exemption** is equal to the estate tax exemption beginning in 2004. The trust's (or transfer's) **inclusion ratio is one minus the "applicable fraction."** The numerator of the applicable fraction is the amount of GST exemption allocated to the trust (or transfer) and the denominator is the value of the property transferred, net of transfer taxes thereon [IRC 2641],
1. **Allocations of a transferor's GST exemption** are normally made on the transferor's timely filed gift or estate tax return reporting the transfer. However, **unless that return directs otherwise (or an election out is made on a prior return)**, unused (that is, not previously allocated) GST exemption is **automatically allocated** (i) to lifetime direct skips; (ii) to "indirect skips" to GST trusts; (iii) after death, to direct skips occurring at decedent's death and then to trusts of which the decedent is the transferor and from which taxable distributions or terminations might occur [IRC 2632(b) and (c)]. GST exemption may be **retroactively allocated** to certain trusts in the case of an unusual order of deaths [IRC 2632(d)].
 2. **"ETIP period"**—with two exceptions [see Treas. Reg. §§26.2632-1(c)(2)(ii)(A) and (B)], GST exemption is not allocable to any transfer as long as the transferred property would be includable (except under IRC 2035) in the transferor's or transferor's spouse's estate if either were to die. The end of such estate tax inclusion period becomes the transfer and valuation date for exemption allocation purposes [IRC 2642(f)].
- C. **Annual exclusion gifts** to an individual skip person have a zero inclusion ratio for GST tax purposes. This rule applies to annual exclusion gifts to a skip person trust only if its assets are exclusively for, and will be includable in the gross estate of, the trust beneficiary [IRC 2642(c)].
- D. **"Reverse QTIP election"**—the creator of a QTIP trust (or the creator's executor) may elect under IRC 2652(a)(3) to continue to be treated as the transferor of that trust after the creator's spouse's death.
- E. In the case of a GST nonexempt trust, subjecting its assets to the gift and/ or estate tax of a person (such as the child of the grantor who is that trust's primary beneficiary) will, on distribution (or the child's death), **change the "transferor"** of such assets to that child. This will have the effect of eliminating from GST tax what would otherwise have been a taxable termination on the child's death to the child's children. This is so because the determination as to whether an event is a GST is made by reference to the most recent transfer subject to the estate or gift tax—which establishes the identity of the transferor and thus the identity of the skip and non-skip persons [Treas. Reg. § 26.2611-1].
- F. **Tuition and medical expense** direct payments [under IRC 2503(e)] are exempt from the GST tax [IRC 2642(c)(3)]. In addition, transfers from a trust which transfers would be exempt from gift tax under IRC 2503(e) if made by an individual are exempt from GST tax [IRC 2611(b)].
- G. Under the **predeceased child exemption**, if an individual who is a descendant of a parent of transferor (or of a transferor's spouse or former spouse) dies before his or her parent, his or her

issue will all move up one generation; provided, in the case of an individual who is not a lineal descendant of the transferor, that the transferor has no lineal descendants at the time of the transfer [IRC 2651(e)].

- H. **Descendants who survive 90 days or less** will be treated as having predeceased the transferor if either the governing instrument or local law so provides [Treas. Reg. § 26.2651-1(a)(2)(iii)].

TREASURY UNISEX ACTUARIAL TABLES EXAMPLES

These tables incorporate the IRS' updated mortality assumptions that became effective on May 1, 2009. Although section 7520 requires the IRS to revise the tables every 10 years, as of the date of publication the tables have not been revised. IRC 7520 generally requires use of an interest rate equal to 120% of the applicable federal mid-term rate (rounded to the nearest 2/10ths of 1%). However, if a charitable contribution is allowable for any part of the assets transferred, the taxpayer may elect to use the 7520 rate for the month in which the valuation date occurs or for either of the 2 months preceding that month.

These Example Tables Use The 7520 Rate for January, 2018 of 3.4%

Single Life

Present value of an **annuity for life** and also of **life income** and **remainder** interests

Age	Annuity*	Life Estate	Remainder
0	26.6095	.90472	.09528
10	25.8194	.87786	.12214
25	23.7481	.80744	.19256
40	20.5695	.69936	.30064
50	17.7195	.60246	.39754
55	16.0626	.54613	.45387
60	14.2965	.48608	.51392
65	12.4598	.42363	.57637
70	10.5519	.35876	.64124
75	8.6396	.29375	.70625
80	6.8496	.23289	.76711
85	5.2619	.17890	.82110
90	3.9304	.13363	.86637

Term of Years

Present value of an **annuity for a term of years** and also of **income** and **remainder** interests **for a term of years**

Number of Years	Annuity*	Term Certain	Remainder
5	4.5279	.153948	.846052
10	8.3587	.284195	.715805
15	11.5998	.394392	.605608
20	14.3419	.487623	.512377
30	18.6247	.633238	.366762

*Assumes annual payments at the end of each year. The formula for a remainder after a term of years is $\left(\frac{1}{1+i}\right)^t$ where i = 7520 rate and t = exponent for number of years of term. The income interest is 1 minus the remainder interest and the annuity factor is the income factor divided by the interest rate.

Unitrusts*

Value of remainder in charitable remainder unitrust one life at various payout rates

Age	5%	6%	7%
50	.25943	.20598	.16586
55	.31450	.25768	.21350
60	.37656	.31770	.27037
65	.44454	.38531	.33612
70	.51905	.46163	.41243
75	.59759	.54436	.49743
80	.67438	.62724	.58458
85	.74516	.70529	.66837
90	.80653	.77424	.74375

*Table assumes annual payments with no gap between valuation date and payment date, in which case unitrusts are not affected by interest rates. If there is a gap between valuation date and payment date, or if payments are made more frequently than annually, the payout rate must be adjusted using Table F. But in any event, unlike with annuity valuations, interest rates have a very small effect on unitrust valuations.

Value of remainder in charitable remainder unitrust Two lives at various payout rates

Age	5%	6%	7%
60/60	.26969	.21020	.16465
65/65	.33285	.27000	.21990
70/70	.40603	.34200	.28895
75/75	.48753	.42509	.37149
80/80	.57262	.51460	.46319
85/85	.65611	.60489	.55823

*Table assumes annual payments with no gap between valuation date and payment date, in which case unitrusts are not affected by interest rates. If there is a gap between valuation date and payment date, or if payments are made more frequently than annually, the payout rate must be adjusted using Table F. But in any event, unlike with annuity valuations, interest rates have a small effect on unitrust valuations.

IRS Mortality Table 2000CM

IRS mortality assumptions under Code section 7520 are based on Mortality Table 2000CM which shows on a unisex basis how many lives are living (l_x) at each age between birth (age 0) and age 109. To calculate the probability of survival from one age to another age divide the l_x value for the older age by the l_x value for the younger age:

Table 2000CM

Age x	l_x	Age x	l_x	Age x	l_x
0	100000	37	96921	74	66882
1	99305	38	96767	75	64561
2	99255	39	96600	76	62091
3	99222	40	96419	77	59476
4	99197	41	96223	78	56721
5	99176	42	96010	79	53833
6	99158	43	95782	80	50819
7	99140	44	95535	81	47694
8	99124	45	95268	82	44475
9	99110	46	94981	83	41181
10	99097	47	94670	84	37837
11	99085	48	94335	85	34471
12	99073	49	93975	86	31114
13	99057	50	93591	87	27799
14	99033	51	93180	88	24564
15	98998	52	92741	89	21443
16	98950	53	92270	90	18472
17	98891	54	91762	91	15685
18	98822	55	91211	92	13111
19	98745	56	90607	93	10773
20	98664	57	89947	94	8690
21	98577	58	89225	95	6871
22	98485	59	88441	96	5315
23	98390	60	87595	97	4016
24	98295	61	86681	98	2959
25	98202	62	85691	99	2122
26	98111	63	84620	100	1477
27	98022	64	83465	101	997
28	97934	65	82224	102	650
29	97844	66	80916	103	410
30	97750	67	79530	104	248
31	97652	68	78054	105	144
32	97549	69	76478	106	81
33	97441	70	74794	107	43
34	97324	71	73001	108	22
35	97199	72	71092	109	11
36	97065	73	69056	110	0

INFLATION-ADJUSTED NUMBERS

Description	2020	2021
Annual Exclusion Gifts [IRC 2503(b)(2)]	15,000	15,000
Non-Citizen Spouse Annual Exclusion [IRC 2523(i)(2)]	157,000	159,000
Reportable Gifts Received from Foreign Persons [IRC 6039F]*	16,649	16,815
Decrease in Value of Qualified Real Property in Decedent's Gross Estate [IRC 2032A(a)]	1,180,000	1,190,000
Estate Tax Installment Payment Interest 2% Portion [IRC 6166 & 6601(j)]	1,570,000	1,590,000

NOTE—The first two items go up in \$1,000 increments and the last two in \$10,000 increments. The third item goes up in actual dollar-amount increments.

LIFE EXPECTANCY TABLES

Examples

Age	Male ¹	Female ¹	Unisex ²	Age	Male ¹	Female ¹	Unisex ²
0	76.3	81.2	N/A	60	21.7	24.7	24.2
10	66.9	71.7	71.7	65	18.0	20.6	20.0
20	57.2	61.8	61.9	70	14.5	16.6	16.0
30	47.9	52.1	52.2	75	11.2	13.0	12.5
40	38.7	42.6	42.5	80	8.4	9.8	9.5
50	29.8	33.4	33.1	85	6.0	7.0	6.9
55	25.6	28.9	28.6	90	4.1	4.9	5.0

1. 2015 National Center for Health Statistics— (male and female rates)— not used for taxes.
2. IRC 72 and Treas. Reg. § 1.72-9, Table V (unisex rates used to determine gross income from annuities).

QUALIFIED PLANS

Retirement Plan Contribution Limits

<u>Traditional IRA [IRC 408]</u>	<u>2020</u>	<u>2021</u>
*Maximum Contribution	\$6,000	\$6,000
Catch-Up Contribution (Age 50 or more)	\$1,000	\$1,000
*Phaseout of Deduction Begins at:		
Modified AGI, Married-Joint Returns	\$104,000	\$105,000
Modified AGI, Single Returns	\$65,000	\$66,000
*Deduction Is Eliminated after:		
Modified AGI, Married-Joint Returns	\$124,000	\$125,000
Modified AGI, Single Returns	\$75,000	\$76,000
*IRA contribution cannot exceed earned income. Phaseout of deduction applies only to taxpayers who actively participate in an employer-sponsored retirement plan.		
<u>Roth IRA [IRC 408A]</u>	<u>2020</u>	<u>2021</u>
*Maximum Contribution	\$6,000	\$6,000
Catch-Up Contribution (Age 50 or more)	\$1,000	\$1,000
*Phaseout of Allowed Contribution Begins at:		
Modified AGI, Married-Joint Returns	\$196,000	\$198,000
Modified AGI, Single Returns	\$124,000	\$125,000
*Contribution Is Eliminated after:		
Modified AGI, Married-Joint Returns	\$206,000	\$208,000
Modified AGI, Single Returns	\$139,000	\$140,000
*IRA contribution cannot exceed earned income. No contributions are tax deductible.		
<u>Simplified Employee Pension IRA (SEP-IRA) [IRC 408(k)]</u>	<u>2020</u>	<u>2021</u>
Employer's Maximum Contribution	\$57,000	\$58,000
<u>Simple IRA [IRC 408(p)]</u>		
Employee's Maximum Contribution	\$13,500	\$13,500
Employee Catch-Up Contribution (Age 50 or more)	\$3,000	\$3,000
<u>IRC 403(b), 401(k) and Roth 401(k) Plans</u>		
Keogh Profit-Sharing Plan Contribution Limit	\$57,000	\$58,000
<u>IRC 403(b) and 401(k) Plans</u>		
Elective Deferral Limits	\$19,500	\$19,500
Catch-Up Contributions (Non-Simple Only)	\$6,000	\$6,500
IRC 415(c) Limit on All Contributions to a Plan	\$57,000	\$58,000
Maximum Benefit for Defined Benefit Plan	\$230,000	\$230,000
IRC 401(a)(17) Annual Compensation Limit	\$285,000	\$290,000

Qualified Plan Rollovers

All or part of any eligible rollover distribution to a participant (or surviving spouse) may be rolled over within 60 days to an IRA (or, in the case of the participant, to another plan). An eligible rollover distribution is any otherwise taxable plan distribution except that a minimum required distribution amount, one of a series of equal periodic payments (over a life or life expectancy or for a period of 10 years or more), a hardship distribution, or qualified disaster-relief distribution may not be included in a rollover [IRC 402(c)(4)].

Effective for plan loan offset amounts treated as distributed in taxable years beginning after December 31, 2017, additional time is granted to complete a rollover. A qualified plan loan offset amount may be contributed to an eligible retirement until the due date (including extensions) for filing the Federal income tax return for the taxable year in which the plan loan offset occurs, that is, the taxable year in which the amount is treated as distributed from the plan. A qualified plan loan offset amount is a plan loan offset amount that is treated as distributed from a qualified retirement plan, a section 403(b) plan or a governmental section 457(b) plan solely by reason of the termination of the plan or the failure to meet the repayment terms of the loan because of the employee's severance from employment.

Note—Unless a direct trustee to trustee transfer is made (a “direct rollover”), notwithstanding the rollover of such distribution, 20% of the distribution is withheld for income tax purposes [IRC 3405(c)(1)].

Beginning in 2010, a direct rollover may be made on or before the end of the calendar year following the year of the participant's death to an inherited IRA for the benefit of a non spouse beneficiary. Distributions after the participant's death from the non spouse beneficiary's inherited IRA will be made depending on the classification of the non spouse beneficiary (*see* Qualified Plan Minimum Distribution Rules, *infra*).

Federal Spousal Rights in Qualified Retirement Plans

A participant's surviving spouse is entitled to a qualified preretirement survivor annuity (“QPSA”) or qualified joint and survivor annuity (“QJSA”), depending on whether the participant died before or after the “annuity starting date” [that is, the first day of the first period for which an amount is payable as an annuity (regardless of when or whether payment is actually made) or, in the case of benefits not payable in the form of an annuity, the date on which all events have occurred which entitle the participant to the benefit]. Each benefit must be at least 50% of the participant's benefit. Waivers and consents—the QPSA or QJSA form of benefit may be waived by the participant if his/her spouse consents (one is not a “spouse” until after the marriage). A spousal consent to a QPSA or QJSA waiver may be specific (requiring a new spousal consent if the participant changes the named beneficiary and/or, in the case of a QJSA, the form of benefit) or general (in which case the participant may change beneficiaries or benefit form without further spousal consent). A spousal consent may be revocable or irrevocable. A QPSA waiver may only be made on or after the participant's attainment of age 35. A QJSA waiver may only be made within 180 days prior to the annuity starting date. Exempt plans—a profit-sharing or stock bonus plan is exempt from the above rules if (i) benefits are not paid in annuity form, (ii) 100% of the death benefits are payable to the spouse unless the spouse consents (either specifically or generally) to the designation of another death benefit beneficiary, and (iii) the plan is not a transferee of assets from a plan subject to the QPSA/QJSA rules. A spouse has no rights as to any distributions from an exempt profit sharing or stock bonus plan that are made during the participant's lifetime.

Qualified Plan Minimum Distribution Rules

NOTE: The SECURE Act was signed into law December 20, 2019, and generally applies to distributions from “qualified plans” made with respect to employees and retirees who participate in qualified plans and IRA owners (each referred to as a “participant”) who die after December 31, 2019. Another effective date rule applies to successor beneficiaries in the case of participants who die before January 1, 2020, having named a designated beneficiary (“DB”) who is taking distributions using a life expectancy method, where the DB dies after December 31, 2019. In that case, the successor beneficiary of the DB will be subject to the new ten year rule per the SECURE Act. Although some provisions in the SECURE Act affect living participants, the most significant changes provided by the SECURE Act are the rules applicable to distributions from qualified plans after the participant’s death. Various provisions in the SECURE Act need to be clarified by regulations. Based on work done by the ACTEC SECURE Act Guidance Task Force, ACTEC submitted two letters to Treasury, one dated July 14, 2020, and the other dated July 29, 2020, making comments and recommendations regarding numerous provisions in the SECURE Act and requesting the issuance of regulations to clarify certain provisions in the SECURE Act and to provide guidance regarding matters not clearly addressed in the SECURE Act. As of March 2021, regulations have not been issued. The various qualified plan distribution rules will be referred to as the “MRD rules” even though, in many cases now, the “minimum required distribution” is a single, complete distribution, rather than a series of annual distributions.

Minimum Required Distributions. The minimum required distribution (“MRD”) rules are basically income tax rules that apply to qualified retirement plans, Section 403(b) annuities, and certain governmental and tax exempt employee plans (“plans”). In addition, the MRD rules apply to IRAs. See IRC 401(a)(9), 403(b)(10), 408(a)(6), 457(d)(2). Both plans and IRAs subject to the MRD rules will be referred to as “retirement plans.” The penalty for failure to take a required distribution is 50% of the MRD deficiency—that is, 50% of any MRD amount not timely distributed. See IRC 4974. (Although “qualified distributions” from Roth IRAs are not subject to income tax, the SECURE Act changed the distribution periods applicable to Roth IRAs after the participant’s death—see Roth IRAs below.)

Life expectancy tables. In certain cases, MRDs are determined using the applicable life expectancy table. The life expectancy tables contain “divisors” (representing years of life expectancy). The tables are found in Treas. Reg. § 1.401(a)(9)-9 and consist of (i) the Uniform Lifetime Table (applicable to a living participant and reflecting the joint life expectancy of the participant and an assumed beneficiary who is ten years younger than the participant), (ii) the Joint and Last Survivor Table (applicable to a living participant whose more than ten years younger spouse is the participant’s sole beneficiary), and (iii) the Single Life Table (applicable after the participant’s death in the case of certain beneficiaries who are entitled to a life expectancy distribution). A notice issued on November 8, 2019, containing proposed regulations, indicated that the three tables applicable to distributions from qualified plans would be updated as of January 1, 2021; however, per a notice issued November 12, 2020, containing final regulations, the new tables will not be effective until January 1, 2022.

Distributions During Participant’s Lifetime

Required Beginning Date (“RBD”). MRDs to the participant from the participant’s retirement plan must begin no later than the RBD, which is generally April 1 of the year following the year in which the participant reaches age 72. Plans may permit or require active employees (other than 5% owners of the sponsoring company) to defer RBD until April 1 of the year following the year of retirement. The first “distribution calendar year” is the calendar year prior to that in which RBD occurs.

Minimum Distribution Amount. The MRD amount for each distribution calendar year through and including the year of the participant's death is determined using the Uniform Lifetime Table, except if the participant's spouse is the participant's sole beneficiary and is more than ten years younger than the participant, in which case the MRD amount is determined using the Joint and Last Survivor Table. In each case, the prior year end balance of the retirement plan is divided by the divisor from the applicable table for the age of the participant (or ages of the participant and the participant's more than ten years younger sole beneficiary spouse) to determine the MRD for that year. Because a new divisor is obtained from the Uniform Lifetime Table each year, a living participant's life expectancy is being recalculated. The participant's more than ten years younger spouse will only be treated as the participant's *sole* beneficiary for purposes of using the divisors from the Joint and Last Survivor Table if either (i) the spouse is named as the participant's sole, outright beneficiary or (ii) a conduit trust for the benefit of the participant's spouse is named as the participant's sole beneficiary. See *Trusts as Beneficiaries*, infra.

Distributions After Participant's Death

Post-Death Distribution Periods. The SECURE Act made significant changes to the MRD rules applicable to the participant's beneficiaries after the participant's death. The initial question is whether the participant is deemed to have a "designated beneficiary" as of the "determination date." If the participant does *not* have a designated beneficiary, the applicable distribution period differs depending on whether the participant dies before or after RBD. If the participant has a designated beneficiary, the applicable distribution period after the participant's death depends on the type of designated beneficiary. In some cases involving multiple designated beneficiaries, separate account treatment may be possible. See *Separate Accounts*, infra.

Designated Beneficiary ("DB"). Not every beneficiary of the participant's retirement plan is a DB. DBs must be individuals. Therefore, an entity, such as a charity, estate or "non-qualifying trust," cannot be a DB (*but see Trusts as Beneficiaries*, infra). DBs are those individuals designated as beneficiaries of the participant's retirement plan as of the participant's date of death who remain beneficiaries of the retirement plan on September 30 of the year following the year of the participant's death (informally known as the "determination date"). Beneficiaries who are not DBs can often be "removed" by the determination date via qualified disclaimers and cash outs of their shares. On the other hand, the death of a named beneficiary prior to the determination date does not remove that beneficiary as a beneficiary of the retirement plan. Per the SECURE Act, there are now two different types of *designated beneficiaries*: (i) "eligible designated beneficiaries" and (ii) "other designated beneficiaries."

Eligible Designated Beneficiary ("EDB"). Certain DBs will be treated as *eligible designated beneficiaries*. The five categories of individuals who qualify as EDBs are: (i) the participant's surviving spouse; (ii) the participant's minor child; (iii) a disabled individual; (iv) a chronically ill individual; and (v) an individual who is not more than ten years younger than the participant. Some sort of life expectancy distribution (not the same for all EDBs) will be available to an EDB after the participant's death.

Other Designated Beneficiary ("ODB"). DBs who are not EDBs are ODBs. The SECURE Act basically eliminated the life expectancy distribution period for ODBs. ODBs are subject to the new "ten year rule," whether the participant dies before or after RBD.

Distribution Rules if Participant's Beneficiary is *Nota* DB. Entities (charities, estates and non-qualifying trusts) are not DBs. *The SECURE Act did not change the MRD rules applicable to these beneficiaries.* Distributions after the participant's death when there is no DB depend on whether the participant dies before or after RBD.

- A. **Participant's Death *Before* RBD with No DB.** If the participant dies before RBD without having a DB, the "five year rule" applies. Pursuant to the five year rule, one hundred percent of the inherited retirement plan must be distributed by December 31 of the year that contains the fifth anniversary of the participant's death. No distributions have to be taken during the first four years following the participant's death, but the entire inherited retirement plan must be fully distributed by the end of the fifth year.
- B. **Participant's Death *After* RBD with No DB.** If the participant dies after RBD without having a DB, the participant's remaining single life expectancy, not recalculated (the "ghost life expectancy"), is the applicable distribution method. Distributions to the beneficiary must commence by December 31 of the year following the year of the participant's death. For the first distribution year, the prior year end balance of the inherited retirement plan is divided by the divisor from the Single Life Table for the age the participant attained (or would have attained) in the year of death. That divisor is reduced by one in each subsequent year to calculate the MRD in each subsequent year.

Participant's Final MRD. If the participant dies after RBD without having taken the full amount of the MRD from the retirement plan prior to death, then that MRD (or the shortfall) must be distributed by December 31 of the year of death to the participant's beneficiary/beneficiaries.

Distribution Rules if Participant's Beneficiary *is* a DB. The applicable distribution rules after the participant's death depend on the type of DB (EDB or ODB) and in the case of EDBs, the particular type of EDB. For ODBs and all EDBs other than the participant's spouse, the distribution period does not vary depending on whether the participant dies before or after RBD.

- A. **Other Designated Beneficiary.** If the beneficiary is an ODB, the new "ten year rule" applies to distributions from the inherited retirement plan after the participant's death. It is assumed that the ten year rule will be applied in the same manner as the five year rule (regulations will need to clarify that). In other words, in the case of an ODB, one hundred percent of the inherited retirement plan must be distributed by December 31 of the year that contains the tenth anniversary of the participant's death. No distributions have to be taken from the inherited retirement plan prior to that date, but the entire inherited retirement plan must be fully distributed by the end of the tenth year.
- B. **Eligible Designated Beneficiary.** The distribution rules for EDBs vary depending on the particular type of EDB.
 - a. **Participant's Spouse.** To qualify for EDB treatment as the participant's surviving spouse, the named beneficiary of the participant's retirement plan must be either the participant's spouse, outright, or a conduit trust for the benefit of the participant's spouse. It *may* be possible for a non-conduit trust that is a "see-through trust" (i.e., an accumulation trust) for the spouse, such as a marital trust, to qualify for the EDB rule, but regulations are needed on that issue because, based on the final regulations

published April 17, 2002, the spouse would not be considered the participant's sole beneficiary even though the spouse would be the sole beneficiary of the accumulation trust for life. The SECURE Act did not change the IRA rollover option available to the participant's surviving spouse named as the outright beneficiary of the participant's retirement plan. Assuming the participant's spouse does not make a spousal IRA rollover, if the participant dies before RBD, MRDs to the spouse from the inherited retirement plan do not have to begin until December 31 of the year in which the participant would have reached age 72 (although the spouse may take discretionary distributions from the inherited retirement plan at any time prior to that date). If the participant dies after RBD, MRDs to the spouse must commence by December 31 of the year following the year of the participant's death. Once MRDs to the spouse commence, they are based on the spouse's life expectancy per the Single Life Table, *recalculated each year*. That means that, to determine the MRD for the applicable distribution year, the prior year end balance of the inherited retirement plan is divided by the divisor from the Single Life Table for the age the spouse has attained (or would have attained) in that distribution calendar year. Each year, the spouse obtains a new divisor from the Single Life Table for the spouse's attained age (or age the spouse would have attained) in that year to calculate that year's MRD. In that way, the spouse's life expectancy is being recalculated. (If the participant's spouse makes a spousal IRA rollover, the spouse will become the participant of that IRA rollover and the MRD rules applicable to a living participant will then apply.)

- b. **Participant's Minor Child.** Only the participant's minor child (and not someone else's minor child) can qualify for this category of EDB. If the beneficiary of the participant's retirement plan is either the participant's minor child, outright, or a conduit trust for the benefit of the participant's minor child, MRDs prior to the minor child reaching "majority" will be based on the minor child's life expectancy, not recalculated, per the Single Life Table. Distributions to the minor child must commence by December 31 of the year following the year of the participant's death. To calculate the MRD for the first distribution year, the prior year end balance of the inherited retirement plan will be divided by the divisor for the age the child has attained (or would have attained) in the first distribution year. In each subsequent year, the prior year's divisor will be reduced by one to calculate that year's MRD. Once the minor child reaches *majority*, the ten year rule applies. Thus, presumably, the entire inherited retirement plan must be fully distributed to the child by December 31 of the year that contains the tenth anniversary of the date the minor child reached *majority*. Regulations are needed to clarify the meaning of *majority* for this purpose. In addition, as noted, it is assumed the ten year rule will be applied in the same manner as the five year rule but clarification is needed on that issue as well. Additional issues need to be addressed in regulations, such as whether a trust for multiple minor children of the participant can be used and will qualify for this particular EDB provision.
- c. **Disabled and Chronically Ill Beneficiaries.** Disabled beneficiaries and chronically ill beneficiaries are two of the five categories of EDBs. The definitions of these EDBs are in subsections (III) and (IV) of IRC 401(a)(9)(E)(ii). The beneficiary's status as disabled or chronically ill is determined as of the participant's date of death. The SECURE Act recognizes that, normally, a participant who wants to provide benefits to a disabled or chronically ill beneficiary from a retirement plan will name a trust for the disabled or

chronically ill beneficiary as beneficiary of the retirement plan, rather than naming such individual as the outright beneficiary of the retirement plan. Prior to the SECURE Act, the trust created for the benefit of a disabled or chronically ill beneficiary was usually structured as an accumulation trust, rather than as a conduit trust. In the case of a trust drafted as an accumulation trust, no amounts withdrawn from the inherited retirement plan that belongs to the trust have to be distributed forthwith to the current beneficiary of the trust. Instead, the Trustee can accumulate all or any portion of those withdrawn amounts in the trust. In contrast, all amounts withdrawn from the inherited retirement plan that belongs to a conduit trust must always be distributed upon receipt to the current beneficiary of the trust. Per the SECURE Act, in the case of the other three categories of EDBs (spouse, minor child and not more than ten years younger beneficiary), to obtain EDB treatment when a trust for the benefit of the EDB individual is named as beneficiary (rather than the individual being named outright), the trust must be in the form of a conduit trust. In most cases, a conduit trust will not be the best choice for a disabled or chronically ill beneficiary. Thus, IRC 401(a)(9)(H)(iv) and (v) provide special rules applicable to a new type of trust for the benefit of disabled and chronically ill beneficiaries called an “Applicable Multi-Beneficiary Trust.” In essence, the AMBT is a specialized form of accumulation trust that can be used for disabled and chronically ill beneficiaries. Per IRC 401(a)(9)(H)(v), an Applicable Multi-Beneficiary Trust is a trust that has more than one beneficiary, all of which are DBs, and at least one of which is a disabled or chronically ill beneficiary. IRC 401(a)(9)(H)(iv) provides that, if, per the terms of the trust named as beneficiary of the participant’s retirement plan, (I) the trust is to be divided immediately upon the participant’s death into separate trusts for each beneficiary, *or* (II) no individual other than a disabled or chronically ill beneficiary has any right to the participant’s retirement plan until the death of all such EDBs, clause (ii) of IRC 401(a)(9)(H) (the exception to the ten year rule for EDBs) shall be applied separately with respect to the portion of the participant’s interest in the retirement plan payable to the trust for the benefit of the disabled or chronically ill beneficiary. Presumably, these provisions were intended (i) to override the separate account rule in the case of an Applicable Multi-Beneficiary Trust that is a sub-trust of a trust named as beneficiary of the participant’s retirement plan and (ii) to allow MRDs payable to the trust for the disabled or chronically ill beneficiary to be calculated based on the disabled or chronically ill beneficiary’s single life expectancy, not recalculated. Although that may have been what was intended, there are several interpretive issues relating to this category of EDBs that need to be clarified by regulations, including whether, in fact, the disabled or chronically ill beneficiary’s life expectancy is used to calculate MRDs (versus the life expectancy of an older DB who is a remainder beneficiary of the trust). Until these issues are clarified by regulations, it would be prudent to draft an AMBT in which the remainder beneficiaries (all of whom must be DBs) are younger than the disabled or chronically ill beneficiaries (ideal) or, at least, not much older than the disabled or chronically ill beneficiary.

- d. **Beneficiaries Not More Than Ten Years Younger Than the Participant.** To qualify for this category of EDB, the participant must name as the beneficiary of the retirement plan either the “not more than ten years younger beneficiary,” outright, or a conduit trust for the benefit of the “not more than ten years younger beneficiary.” MRDs to this type of EDB will be based on the single life expectancy of the EDB, not recalculated.

The first MRD must be made by December 31 of the year following the year of the participant's death. To determine the MRD in the first distribution year, the prior year end balance of the inherited retirement plan is divided by the divisor from the Single Life Table for the age the EDB has attained (or would have attained) in the first distribution year. That divisor is reduced by one in each subsequent distribution year to determine the applicable MRD in those future years.

Roth IRAs. Even though "qualified distributions" from Roth IRAs after the participant's death are not subject to income tax, the distribution rules per the SECURE Act applicable after the death of the participant also apply to Roth IRAs. Thus, if a non-DB is the beneficiary of a Roth IRA, the five year rule will apply and if an ODB is the beneficiary of a Roth IRA, the ten year rule will apply. If an EDB is the beneficiary of a Roth IRA, the post-death distribution rule applicable to that particular type of EDB will apply.

Distributions After the Death of an EDB Entitled to a Life Expectancy Distribution

Per the SECURE Act, *in general* (ignoring some currently unresolved technical issues), after the death of an EDB entitled to a life expectancy distribution, the successor beneficiary is subject to the ten year rule. It is assumed that the ten year rule will be applied in the same manner as the five year rule. In other words, one hundred percent of the inherited retirement plan must be distributed by December 31 of the year that contains the tenth anniversary of the EDB's death. No distributions have to be taken from the inherited retirement plan prior to that date, but the entire inherited retirement plan must be fully distributed by the end of the tenth year. ACTEC has submitted the question whether the ten year rule will apply in the case where another EDB is the successor beneficiary of the original EDB.

Trusts as Beneficiaries

If a trust named as beneficiary of the participant's retirement plan meets the requirements to be a "qualified see-through trust," then the beneficiaries of the trust are treated as the beneficiaries of the participant's retirement plan. The four general trust qualification requirements are (i) the trust is a valid trust under state law, or would be but for the fact that there is no corpus; (ii) the trust is irrevocable or will, by its terms, become irrevocable upon the participant's death; (iii) the beneficiaries of the trust who are beneficiaries with respect to the trust's interest in the participant's retirement plan are identifiable from the trust instrument; and (iv) the required documentation is provided to the plan administrator by October 31 of the year following the year of the participant's death. Prior to the SECURE Act, the Treasury Regulations specifically recognized two types of qualified see-through trusts: (i) accumulation trusts (*see* Treas. Reg. § 1.401(a)(9)-5, Q & A-7(c)(3), Example 1) and (ii) conduit trusts (*see* Treas. Reg. § 1.401(a)(9)-5, Q & A-7(c)(3), Example 2). A conduit trust must specifically provide that the entire amount distributed from the inherited retirement plan to the trust (whether the amount distributed is the MRD or a larger amount) must be distributed out of the trust as soon as possible (during that same year) to the current beneficiary of the trust. Because the conduit trust is merely a "flow through," remainder beneficiaries of the conduit trust do not have to be taken into account for purposes of identifying all beneficiaries of the trust with an interest in the retirement plan. On the other hand, an accumulation trust does not have to provide that amounts distributed to the trust from the inherited retirement plan be distributed from the trust to the current beneficiary in the year the distribution is received. Thus, distributions from the inherited retirement plan can be accumulated in the trust. For that reason, remainder beneficiaries, who might receive those

distributed amounts in the future, must be taken into account to determine whether all beneficiaries of the accumulation trust are DBs. Potential appointees under powers of appointment are presumably also counted as beneficiaries of an accumulation trust, although no case or ruling has specifically addressed that to date. The use of retirement plan benefits to pay post death expenses (including taxes) may have to be restricted (at least after the determination date). The SECURE Act has added a new type of trust for disabled and chronically ill EDBs: Applicable Multi-Beneficiary Trusts (discussed earlier).

Separate Accounts

Depending on the structure of the beneficiary designation, it is possible for multiple beneficiaries of a single retirement plan to obtain separate account treatment, which means that each beneficiary will have his, her or its own applicable distribution period after the participant's death. To obtain separate account treatment for separately named beneficiaries, a separate account must be established and maintained for each individual beneficiary by December 31 of the year following the year of the participant's death, bearing its own pro rata share of gains and losses and otherwise separately accounted for to comply with the regulations. In general, separate account treatment is not available to the beneficiaries of a single trust. Thus, to insure separate account treatment in the case of multiple trusts, it is best to name the separate trusts or sub-trusts directly in the beneficiary designation, rather than naming a single trust (such as a revocable trust) that by its terms divides into separate sub-trusts for separate beneficiaries on the participant's death. In the case of an Applicable Multi-Beneficiary Trust for a disabled or chronically ill beneficiary created within the participant's revocable trust, the intent of IRC 401(a)(9)(H)(iv)(I) may be to allow separate account treatment for that Applicable Multi-Beneficiary Trust even if the participant's revocable trust was named as beneficiary of the participant's retirement plan per the beneficiary designation, as long as the revocable trust divides into separate trusts on the participant's death (one of which is the Applicable Multi-Beneficiary Trust) and all beneficiaries of the revocable trust are at least DBs. At the present time, that interpretation is not clear.

Required Minimum Distribution Table

Under 2002 Final Regulations

Age of the Participant	Distribution Period	Applicable Percentage	Age of the Participant	Distribution Period	Applicable Percentage
70	27.4	3.6496%	93	9.6	10.4167%
71	26.5	3.7736%	94	9.1	10.9890%
72	25.6	3.9063%	95	8.6	11.6279%
73	24.7	4.0486%	96	8.1	12.3457%
74	23.8	4.2017%	97	7.5	13.1579%
75	22.9	4.3668%	98	7.1	14.0845%
76	22.0	4.5455%	99	6.7	14.9254%
77	21.2	4.7170%	100	6.3	15.8730%
78	20.3	4.9261%	101	5.9	16.9492%
79	19.5	5.1282%	102	5.5	18.1818%
80	18.7	5.3476%	103	5.2	19.2308%
81	17.9	5.5866%	104	4.9	20.4082%
82	17.1	5.8480%	105	4.6	22.2222%
83	16.3	6.1350%	106	4.2	23.8095%
84	15.5	6.4516%	107	3.9	25.6410%
85	14.8	6.7568%	108	3.7	27.0270%
86	14.1	7.0922%	109	3.4	29.4118%
87	13.4	7.4627%	110	3.1	32.2581%
88	12.7	7.8740%	111	2.9	34.4828%
89	12.0	8.3333%	112	2.6	38.4615%
90	11.4	8.7719%	113	2.4	41.6667%
91	10.8	9.2593%	114	2.1	47.6190%
92	10.2	9.8039%	115	1.9	52.6316%

Single Life Expectancy Table
Under 2002 Final Regulations

Age	2002 Divisors	2022 Divisors	Age	2002 Divisors	2022 Divisors
0	82.4	84.6	54	30.5	32.5
5	77.7	79.8	55	29.6	31.6
10	72.8	74.9	56	28.7	30.6
15	67.9	69.9	57	27.9	29.8
20	63.0	65.0	58	27.0	28.9
25	58.2	60.2	59	26.1	28.0
30	53.3	55.3	60	25.2	27.1
31	52.4	54.4	61	24.4	26.2
32	51.4	53.4	62	23.5	25.4
33	50.4	52.5	63	22.7	24.5
34	49.4	51.5	64	21.8	23.7
35	48.5	50.5	65	21.0	22.9
36	47.5	49.6	66	20.2	22.0
37	46.5	48.6	67	19.4	21.2
38	45.6	47.7	68	18.6	20.4
39	44.6	46.7	69	17.8	19.6
40	43.6	45.7	70	17.0	18.8
41	42.7	44.8	71	16.3	18.0
42	41.7	43.8	72	15.5	17.2
43	40.7	42.9	73	14.8	16.4
44	39.8	41.9	74	14.1	15.6
45	38.8	41.0	75	13.4	14.8
46	37.9	40.0	80	10.2	11.2
47	37.0	39.0	85	7.6	8.1
48	36.0	38.1	90	5.5	5.7
49	35.1	37.1	95	4.1	4.0
50	34.2	36.2	100	2.9	2.8
51	33.3	35.3	105	1.9	2.1
52	32.3	34.3	110	1.1	2.0
53	31.4	33.4	111	1.0	2.0

Example: If (i) a non-DB inherits the participant’s IRA, (ii) the participant dies in 2021 at age 74, and (iii) the value of the inherited IRA on 12/31/2021 is \$1 million, the non-DB’s first RMD (based on the participant’s “ghost life expectancy”), payable by 12/31/2022, will be \$76,336 ($\$1 \text{ million} \div 13.1$), i.e., the 12/31/2021 value of the inherited IRA divided by the applicable divisor. In the case of a non-DB, the divisor for the first distribution year is the divisor for the participant’s age as of his birthday in the year of death minus 1. In each subsequent year, the non-DB would calculate the RMD by subtracting 1 from the prior year’s divisor to obtain that year’s divisor.

INTEREST RATES

Applicable Federal Rate Rules

Applicable Federal Rates (“AFRs”) are published monthly (on about the 20th of the month) by the Internal Revenue Service; they provide a guideline interest rate (often with adjustments) for a variety of tax purposes. IRC 1274.

<u>Term of Debt Instrument</u>	<u>AFR to Be Used by Taxpayers</u>
Not over 3 Years	The Short-Term AFR
Over 3 Years, not over 9 Years	The Mid-Term AFR
Over 9 Years	The Long-Term AFR

Choice of Interest Rates

Donors making a split-interest charitable gift have the choice to value such gift using 120% of the Mid-Term AFR for the current month, or for either of the two calendar months preceding the calendar month of the gift, whichever is most favorable. By acting late in a calendar month, when the next month’s factor is known (but not yet applicable), a choice of factors from four months can be available.

<u>Use Highest Possible Rate</u>	<u>Use Lowest Possible Rate</u>
<ul style="list-style-type: none">• Charitable remainder trust• Charitable gift annuity (for larger deduction)	<ul style="list-style-type: none">• Charitable lead trust• Charitable gift annuity (for larger tax-exempt portion)• Gift of remainder interest in farm or personal residence.

Federal interest rates for current and prior periods are available on the IRS website:

<https://apps.irs.gov/app/picklist/list/federalRates.html>

IRC Section 7520 Rates*

7520 Rates Since May 1, 1989

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2021	0.6	0.6	0.8									
2020	2.0	2.2	1.8	1.2	0.8	0.6	0.6	0.4	0.4	0.4	0.4	0.6
2019	3.4	3.2	3.2	3.0	2.8	2.8	2.6	2.2	2.2	1.8	2.0	2.0
2018	2.6	2.8	3.0	3.2	3.2	3.4	3.4	3.4	3.4	3.4	3.6	3.6
2017	2.4	2.6	2.4	2.6	2.4	2.4	2.2	2.4	2.4	2.2	2.4	2.6
2016	2.2	2.2	1.8	1.8	1.8	1.8	1.8	1.4	1.4	1.6	1.6	1.8
2015	2.2	2.0	1.8	2.0	1.8	2.0	2.2	2.2	2.2	2.0	2.0	2.0
2014	2.2	2.4	2.2	2.2	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.0
2013	1.0	1.2	1.4	1.4	1.2	1.2	1.4	2.0	2.0	2.4	2.0	2.0
2012	1.4	1.4	1.4	1.4	1.6	1.2	1.2	1.0	1.0	1.2	1.0	1.2
2011	2.4	2.8	3.0	3.0	3.0	2.8	2.4	2.2	2.0	1.4	1.4	1.6
2010	3.0	3.4	3.2	3.2	3.4	3.2	2.8	2.6	2.4	2.0	2.0	1.8
2009	2.4	2.0	2.4	2.6	2.4	2.8	3.4	3.4	3.4	3.2	3.2	3.2
2008	4.4	4.2	3.6	3.4	3.2	3.8	4.2	4.2	4.2	3.8	3.6	3.4
2007	5.6	5.6	5.8	5.6	5.6	5.6	6.0	6.2	5.8	5.2	5.2	5.0
2006	5.4	5.2	5.4	5.6	5.8	6.0	6.0	6.2	6.0	5.8	5.6	5.8
2005	4.6	4.6	4.6	5.0	5.2	4.8	4.6	4.8	5.0	5.0	5.0	5.4
2004	4.2	4.2	4.0	3.8	3.8	4.6	5.0	4.8	4.6	4.4	4.2	4.2
2003	4.2	4.0	3.8	3.6	3.8	3.6	3.0	3.2	4.2	4.4	4.0	4.2
2002	5.4	5.6	5.4	5.6	6.0	5.8	5.6	5.2	4.6	4.2	3.6	4.0
2001	6.8	6.2	6.2	6.0	5.8	6.0	6.2	6.0	5.8	5.6	5.0	4.8
2000	7.4	8.0	8.2	8.0	7.8	8.0	8.0	7.6	7.6	7.4	7.2	7.0
1999	5.6	5.6	5.8	6.4	6.2	6.4	7.0	7.2	7.2	7.2	7.4	7.4
1998	7.2	6.8	6.8	6.8	6.8	7.0	6.8	6.8	6.6	6.2	5.4	5.4
1997	7.4	7.6	7.8	7.8	8.2	8.2	8.0	7.6	7.6	7.6	7.4	7.2
1996	6.8	6.8	6.6	7.0	7.6	8.0	8.2	8.2	8.0	8.0	8.0	7.6
1995	9.6	9.6	9.4	8.8	8.6	8.2	7.6	7.2	7.6	7.6	7.4	7.2
1994	6.4	6.4	6.4	7.0	7.8	8.4	8.2	8.4	8.4	8.6	9.0	9.4
1993	7.6	7.6	7.0	6.6	6.6	6.4	6.6	6.4	6.4	6.4	6.0	6.2
1992	8.2	7.6	8.0	8.4	8.6	8.4	8.2	7.8	7.2	7.0	6.8	7.4
1991	9.8	9.6	9.4	9.6	9.6	9.6	9.6	9.8	9.6	9.0	8.6	8.4
1990	9.6	9.8	10.2	10.6	10.6	11.0	10.6	10.4	10.2	10.6	10.6	10.2
1989	10*	10*	10*	10*	11.6	11.2	10.6	10.0	9.6	10.2	10.0	9.8

* The discount rate used to value any annuity, interest for life or a term of years or any remainder or reversionary interest is equal to 120% of the annual federal mid-term rate under IRC 1274(d)(1), rounded to the nearest 0.2%. However, for split-interest charitable gifts, the rate for the current month or either of the two months preceding the month in which the valuation date falls may be used [IRC 7520]. Section 7520 became effective May 1, 1989. For transactions occurring in the first four months of 1989, regulations required use of a 10% interest assumption.

For updates to the [AFR/7520 Rates](#) and access to additional professional fiduciary resources please visit actec.org/professionals/wealth-advisors-resources.



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CHARITABLE DEDUCTION

Percentage Limitations Under IRC § 170

Transfer To	AGI Limitation	Deduction Based On
Public charity	60% for cash 30% for long-term capital gain property	Fair market value; limited to lower of basis or fair market value if not long term capital gain property; contribution deduction for gifts of tangible personal property limited to lower of basis or fair market value unless charity will use property in a way related to its tax exempt purpose
Private foundation	30% for cash 20% for long-term capital gain property	Fair market value for cash and publicly traded long-term appreciated securities; lower of basis or fair market value for property other than publicly traded securities held long term

American Council on Gift Annuities
Maximum Recommended Rates Single Life
As of July 1, 2020

Age	Rate	Age	Rate	Age	Rate
5-7	2.2	57	4.1	74	5.6
8-13	2.3	58	4.3	75	5.8
14-17	2.4	52-53	3.8	76	6.0
18-21	2.5	54	3.9	77	6.2
22-25	2.6	55-56	4.0	78	6.4
26-28	2.7	57	4.1	79	6.6
29-31	2.8	58	4.2	80	6.9
32-33	2.9	59-60	4.3	81	7.2
34-35	3.0	61-62	4.4	82	7.4
36-37	3.1	63	4.5	83	7.6
38-39	3.2	64	4.6	84	7.8
40-42	3.3	65-66	4.7	85	8.0
43-44	3.4	67	4.8	86	8.2
45-47	3.5	68	4.9	87	8.4
48-49	3.6	69	5.0	88	8.6
50-51	3.7	70	5.1	89	8.8
52-53	3.8	71	5.2	90+	9.0
54	3.9	72	5.4		
55-56	4.0	73	5.5		

American Council on Gift Annuities
Maximum Recommended Rates Two Lives – Joint and Survivor
As of July, 2020

Younger Age	Older Age	Rate	Younger Age	Older Age	Rate
5	5-95+	2.0	37	37-95+	2.7
6	6-95+	2.0	38	38-95+	2.8
7	7-95+	2.0	39	39-95+	2.8
8	8-95+	2.1	40	40-95+	2.9
9	9-95+	2.1	41	41-95+	2.9
10	10-95+	2.1	42	42-95+	2.9
11	11-95+	2.1	43	43-95+	3
12	12-95+	2.1	44	44-95+	3
13	13-95+	2.1	45	45-47	3.1
14	14-95+	2.2	45	48-95+	3.2
15	15-95+	2.2	46	46	3.1
16	16-95+	2.2	46	47-50	3.2
17	17-95+	2.2	46	51-95+	3.3
18	18-95+	2.3	47	47-49	3.2
19	19-95+	2.3	47	50-95+	3.3
20	20-95+	2.3	48	48	3.2
21	21-95+	2.3	48	49-51	3.3
22	22-95+	2.3	48	52-95+	3.4
23	23-95+	2.4	49	49-50	3.3
24	24-95+	2.4	49	51-95+	3.4
25	25-95+	2.4	50	50-54	3.4
26	26-95+	2.4	50	55-95+	3.5
27	27-95+	2.5	51	51-53	3.4
28	28-95+	2.5	51	54-95+	3.5
29	29-95+	2.5	52	52-57	3.5
30	30-95+	2.5	52	58-95+	3.6
31	31-95+	2.6	53	53-55	3.5
32	32-95+	2.6	53	56-95+	3.6
33	33-95+	2.6	54	54	3.5
34	34-95+	2.6	54	55-59	3.6
35	35-95+	2.7	54	60-95+	3.7
36	36-95+	2.7	55	55-58	3.6

55	59-63	3.7	66	68-71	4.4
55	64-95+	3.8	66	72-95+	4.5
56	56	3.6	67	67-69	4.4
56	57-61	3.7	67	70-73	4.5
56	62-95+	3.8	67	74-95+	4.6
57	57-59	3.7	68	68	4.4
57	60-64	3.8	68	69-71	4.5
57	65-95+	3.9	68	72-75	4.6
58	58	3.7	68	76-95+	4.7
58	59-62	3.8	69	69-70	4.5
58	63-67	3.9	69	71-73	4.6
58	68-95+	4.0	69	74-76	4.7
59	59-61	3.8	69	77-95+	4.8
59	62-64	3.9	70	70-72	4.6
59	65-69	4.0	70	73-74	4.7
59	70-95+	4.1	70	75-78	4.8
60	60-63	3.9	70	79-95+	4.9
60	64-67	4.0	71	71-73	4.7
60	68-95+	4.1	71	74-76	4.8
61	61	3.9	71	77-79	4.9
61	62-65	4.0	71	80-95+	5.0
61	66-68	4.1	72	72	4.7
61	69-95+	4.2	72	73-74	4.8
62	62-63	4.0	72	75-76	4.9
62	64-66	4.1	72	77-79	5.0
62	67-95+	4.2	72	80-83	5.1
63	63-65	4.1	72	84-95+	5.2
63	66-68	4.2	74	74	4.9
63	69-95+	4.3	74	75-76	5.0
64	64	4.1	74	77-78	5.1
64	65-66	4.2	74	79-80	5.2
64	67-70	4.3	74	81-83	5.3
64	71-95+	4.4	74	84-95+	5.4
65	65	4.2	75	75	5.0
65	66-68	4.3	75	76	5.1
65	69-73	4.4	75	77-78	5.2
65	74-95+	4.5	75	79-80	5.3
66	66-67	4.3	75	81-82	5.4

75	83-85	5.5	80	84	6.1
75	86-95+	5.6	80	85	6.2
76	76-77	5.2	80	86-87	6.3
76	78	5.3	80	88-89	6.4
76	79-80	5.4	80	90-91	6.5
76	81-82	5.5	80	92-94	6.6
76	83-85	5.6	80	95+	6.7
76	86-87	5.7	81	81	6.0
76	88-95+	5.8	81	82	6.1
77	77	5.3	81	83-84	6.2
77	78-79	5.4	81	85	6.3
77	80	5.5	81	86	6.4
77	81-82	5.6	81	87	6.5
77	83-84	5.7	81	88-89	6.6
77	85-86	5.8	81	90-91	6.7
77	87-89	5.9	81	92-93	6.8
77	90-95+	6.0	81	94-95+	6.9
78	78	5.4	82	82	6.2
78	79	5.5	82	83	6.3
78	80	5.6	82	84	6.4
78	81-82	5.7	82	85	6.5
78	83	5.8	82	86	6.6
78	84-85	5.9	82	87-88	6.7
78	86-87	6.0	82	89	6.8
78	88-90	6.1	82	90	6.9
78	91-95+	6.2	82	91-92	7.0
79	79	5.6	82	93-94	7.1
79	80	5.7	82	95+	7.2
79	81-82	5.8	83	83	6.4
79	83	5.9	83	84	6.5
79	84-85	6.0	83	85	6.6
79	86	6.1	83	86	6.7
79	87-88	6.2	83	87	6.8
79	89-91	6.3	83	88	6.9
79	92-95+	6.4	83	89	7.0
80	80	5.8	83	90	7.1
80	81-82	5.9	83	91-92	7.2
80	83	6.0	83	93	7.3

83	94-95+	7.4	86	90	7.8
84	84	6.6	86	91	7.9
84	85	6.8	86	92-95+	8.0
84	86	6.9	87	87	7.5
84	87	7.0	87	88	7.7
84	88	7.1	87	89	7.8
84	89	7.2	87	90	8.0
84	90	7.3	87	91	8.1
84	91	7.4	87	92-95+	8.2
84	92	7.5	88	88	7.9
84	93-95+	7.6	88	89	8.0
85	85	6.9	88	90	8.2
85	86	7.0	88	91-95+	8.4
85	87	7.2	89	89	8.2
85	88	7.3	89	90	8.4
85	89	7.4	89	91-95+	8.6
85	90	7.5	90	90	8.6
85	91	7.6	90	91-95+	8.8
85	92	7.7	91	91-95+	8.8
85	93-95+	7.8	92	92-95+	8.8
86	86	7.2	93	93-95+	8.8
86	87	7.3	94	94-95+	8.8
86	88	7.5	95+	95+	8.8
86	89	7.6			

Procedure for Calculating Suggested Deferred Gift Annuity Rates

For New York and New Jersey see below

1. Determine the annuity starting date, which is:
 - One year before the first payment, if payments are made annually.
 - Six months before the first payment, if payments are made semi-annually.
 - Three months before the first payment, if payments are made quarterly.
 - One month before the first payment, if payments are made monthly.
2. Determine the number of whole and fractional years from the date of the contribution to the annuity starting date (the deferral period).
3. Express the fractional year as a decimal of four numbers.
4. For a deferral period of any length, use the following formula to determine the compound interest factor:

$F = 1.0325^d$, where F is the compound interest factor and d is the deferral period

Example: If the period between the contribution date and the annuity starting date is 10.25 years, the compound interest factor would be $1.0325^{10.25} = 1.387948$.

5. Multiply the compound interest factor (F) by the immediate gift annuity rate for the nearest age or ages of a person or persons at the annuity starting date.

Example: If the sole annuitant will be nearest age 65 on the annuity starting date and the compound interest factor is 1.387948, the deferred gift annuity rate would be 1.387948 times 4.7%, or 6.5% (rounded to the nearest tenth of a percent).

Note to Charities Issuing Deferred Gift Annuities in New York and New Jersey

Approved by the American Council on Gift Annuities - Effective January 1, 2020

The following compound interest factors during the deferral period noted will satisfy the requirements of New York and New Jersey:

For all deferral periods:

Single-life and two-life annuities, whatever the gender of the annuitants, a compound interest factor of 3.25%.

*New York and New Jersey are the two states known at this time that may require different interest factors for deferred gift annuities with longer deferral periods.

2021

JANUARY							FEBRUARY							MARCH							APRIL						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
27	28	29	30	31	1	2	31	1	2	3	4	5	6	28	1	2	3	4	5	6	28	29	30	31	1	2	3
3	4	5	6	7	8	9	7	8	9	10	11	12	13	7	8	9	10	11	12	13	4	5	6	7	8	9	10
10	11	12	13	14	15	16	14	15	16	17	18	19	20	14	15	16	17	18	19	20	11	12	13	14	15	16	17
17	18	19	20	21	22	23	21	22	23	24	25	26	27	21	22	23	24	25	26	27	18	19	20	21	22	23	24
24	25	26	27	28	29	30	28	1	2	3	4	5	6	28	29	30	31	1	2	3	25	26	27	28	29	30	1
31	1	2	3	4	5	6	7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8

MAY							JUNE							JULY							AUGUST						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
25	26	27	28	29	30	1	30	31	1	2	3	4	5	27	28	29	30	1	2	3	1	2	3	4	5	6	7
2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14
9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21
16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28
23	24	25	26	27	28	29	27	28	29	30	1	2	3	25	26	27	28	29	30	31	29	30	31	1	2	3	4
30	31	1	2	3	4	5	4	5	6	7	8	9	10	1	2	3	4	5	6	7	5	6	7	8	9	10	11

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
29	30	31	1	2	3	4	26	27	28	29	30	1	2	31	1	2	3	4	5	6	28	29	30	1	2	3	4
5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
26	27	28	29	30	1	2	24	25	26	27	28	29	30	28	29	30	1	2	3	4	26	27	28	29	30	31	1
3	4	5	6	7	8	9	31	1	2	3	4	5	6	5	6	7	8	9	10	11	2	3	4	5	6	7	8

2022

JANUARY							FEBRUARY							MARCH							APRIL						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	31	1	30	31	1	2	3	4	5	27	28	1	2	3	4	5	27	28	29	30	31	1	2
2	3	4	5	6	7	8	6	7	8	9	10	11	12	6	7	8	9	10	11	12	3	4	5	6	7	8	9
9	10	11	12	13	14	15	13	14	15	16	17	18	19	13	14	15	16	17	18	19	10	11	12	13	14	15	16
16	17	18	19	20	21	22	20	21	22	23	24	25	26	20	21	22	23	24	25	26	17	18	19	20	21	22	23
23	24	25	26	27	28	29	27	28	1	2	3	4	5	27	28	29	30	31	1	2	24	25	26	27	28	29	30
30	31	1	2	3	4	5	6	7	8	9	10	11	12	3	4	5	6	7	8	9	1	2	3	4	5	6	7

MAY							JUNE							JULY							AUGUST						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7	29	30	31	1	2	3	4	26	27	28	29	30	1	2	31	1	2	3	4	5	6
8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27
29	30	31	1	2	3	4	26	27	28	29	30	1	2	24	25	26	27	28	29	30	28	29	30	31	1	2	3
5	6	7	8	9	10	11	3	4	5	6	7	8	9	31	1	2	3	4	5	6	4	5	6	7	8	9	10

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
28	29	30	31	1	2	3	25	26	27	28	29	30	1	30	31	1	2	3	4	5	27	28	29	30	1	2	3
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24
25	26	27	28	29	30	1	23	24	25	26	27	28	29	27	28	29	30	1	2	3	25	26	27	28	29	30	31
2	3	4	5	6	7	8	30	31	1	2	3	4	5	4	5	6	7	8	9	10	1	2	3	4	5	6	7