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IRS DECLARES SALES OF PROPERTY FROM ONE SPOUSE'S GRANTOR TRUST TO THE OTHER SPOUSE'S GRANTOR TRUST TO BE TAX FREE TRANSACTIONS

In a recent Private Letter Ruling the IRS declared that sales of property between spouses and the spouses' grantor trusts do not trigger income taxation. This ruling validates a planning technique using special trusts called Spousal Lifetime Access Trusts (SLATS) and transactions between the spouses and these trusts. This type of planning is used to minimize or avoid estate tax and to protect assets from creditors and divorce. Please see PLR 201927003, Rev Rul 85-13, 1985-1 CB 184, and Code Sec. 1041(a).