

## January AFRs and 7520 Rates: Key Updates for Your Estate Planning

### *IRS Announces Rates for Valuing Financial Transactions and Trust Instruments*

**St. Louis, Jan 9, 2025** – Each month, the IRS publishes the Applicable Federal Rates (AFRs), which set the minimum interest rates necessary for loans, installment sales, and other financial transactions to be compliant with tax law. For example, a lender who loans money at a rate below the AFR will be taxed as though they had received interest (“imputed income”) at the AFR. The AFRs also set the rate which Grantor Retained Annuity Trusts (GRATs) must outperform to minimize tax liability, establish the proper value of private annuities, and govern various other financial transactions. Keeping up-to-date on the AFRs is therefore essential for avoiding tax consequences in estate planning.

The Applicable Federal Rates for January 2025, at a variety of compounding periods, are laid out in the table below:

AFRs	Annual	Semi-annual	Quarterly	Monthly
Short-term	4.33%	4.28%	4.26%	4.24%
Mid-term	4.24%	4.20%	4.18%	4.16%
Long-term	4.53%	4.48%	4.46%	4.44%

Short-term and mid-term rates saw slight increases from last month, while long-term rates remained steady.

The AFRs published by the IRS also set another important rate for estate planners: the Section 7520 interest rate. Section 7520 of the Internal Revenue Code plays an important role in estate planning because the 7520 interest rate is used to calculate the present value of future financial interests like charitable interests in split-interest trusts or the remainder interest in charitable gift annuities.

The 7520 interest rate each month is equal to 120% of the applicable Mid-term AFR, compounded annually, and rounded to the nearest 0.2%. Consequently, the 7520 interest rate for January 2025 is **5.20%**, up from last month’s rate of 5.0%.

Estate planners would be wise to consider whether their current strategies and planned transactions are properly adapted to navigate this month’s set of rates. For questions regarding your individual planning opportunities, please contact Lowenhaupt & Chasnoff at 314.241.5950.

**About Lowenhaupt & Chasnoff**

Lowenhaupt & Chasnoff LLC has been providing counsel to families of substantial wealth since it was founded in 1908. The firm's mission is to help individuals and families achieve freedom from wealth. The L&C team is comprised of tax, trust and estate planning attorneys who counsel clients and offer fiduciary advice to manage complex wealth management issues. The firm was the first firm to concentrate in U.S. income taxes when it was founded under the leadership of the first of three generations of Lowenhaupt. For more information, call 314-241-5950 or visit [www.lowenchas.com](http://www.lowenchas.com).