

801.1 (c)

Verne, B. Michael

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From: [REDACTED]  
Sent: Friday, June 02, 2006 6:26 PM  
To: Verne, B. Michael  
Subject: Quick GRAT question

Mike:

I have a situation in which a wife has established a grantor-retained annuity trust, through which she receives income for 4 years. At the end of this period, her husband and adult children receive the trust assets. I saw the attached interpretation and it appears to me that the husband's interest in the trust's assets at the end of the GRAT period would not be considered to be a "reversionary interest" of the wife who established the trust. Please correct me if I am wrong. Also, if the trust is revocable (which I do not know yet), I assume all bets are off and the settlor is deemed to hold the assets in the GRAT.

Many thanks as always,  
[REDACTED]

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We have taken the position that receiving a stream of income from a GRAT does not constitute a reversionary interest in the trust. However, if the husband will receive assets that constitute part of the corpus of the trust, I think that does become a reversionary interest. You are correct - if the trust is revocable, the settlor is deemed to hold the asset of the trust.

*B. Michael*  
6/2/06