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Rev. Rul. 2023-2: No basis step-up for assets of irrevocable grantor trust not included in grantor's estate

The IRS today released an advance version of [Rev. Rul. 2023-2](#) [PDF 130 KB], which concludes that the basis adjustment under section 1014 generally does not apply to the assets of an irrevocable grantor trust not included in a deceased grantor's gross estate for federal estate tax purposes.

Section 1014 generally provides that the basis of property in the hands of a person acquiring the property from a decedent or to whom the property passed from a decedent, if not sold, exchanged, or otherwise disposed of before the decedent's death by that person, is the fair market value of the property at the date of the decedent's death.

In Rev. Rul. 2023-2, the IRS determined that the basis "step-up" under section 1014 does not apply to assets gifted to an irrevocable grantor trust by completed gift in cases in which such assets are not included in the gross estate of the owner of the trust for federal estate tax purposes. In such cases, even though the grantor trust's owner is liable for federal income tax on the trust's income, the assets of the grantor trust are not considered as acquired or passed from a decedent by bequest, devise, inheritance, or otherwise within the meaning of section 1014(b), and therefore section 1014(a) does not apply.

Read the related IRS [release](#)

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