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## **Prop. Reg. Section 25.7872-1**

### **Certain below-market loans**

For purposes of chapter 12 of the Internal Revenue Code, relating to gift tax, if a taxpayer makes a gift loan (within the meaning of §1.7872-4(b)) that is a term loan (within the meaning of §1.7872-10(a)(2)) and that is made after June 6, 1984, the excess of the amount loaned over the present value of all payments which are required to be made under the terms of the loan agreement shall be treated as a gift from the lender to the borrower on the date the loan is made. If a taxpayer makes a gift loan that is a demand loan (within the meaning of § 1.7872-10(a)(1)) and that is outstanding during any calendar period after June 6, 1984, and not repaid before September 17, 1984, the amount of foregone interest (within the meaning of section 7872(e)(2)) attributable to that calendar period shall be treated as a gift from the lender to the borrower. The de minimis exception described in section 7872(c)(2) applies to the gift tax treatment of a gift loan. In the case of a term gift loan, however, once section 7872 applies to the loan, the de minimis exception will not apply to the loan at some later date regardless of whether the aggregate outstanding amount of loans does not continue to exceed the limitation amount. For a detailed analysis of section 7872, see the income tax regulations under section 7872, §1.7872-1 through § 1.7872-14.