GODDARD & GODDARD, P.C.
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Estate Planning NEWS

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ESTATE TAX REFORM IS TEMPORARY

Under the new tax act, beginning on January 1, 2011, the federal estate tax exemption is $5 million per person or $10 million per married couple, and the top estate tax rate is reduced from 55% to 35%. In addition, a provision in the new law allows a deceased spouse's estate to transfer any unused exemption to the surviving spouse.

At first glance, it might appear that estate tax planning is unnecessary for many people given the $5 million exemption. However, the new exemption is temporary because it only applies to decedents dying during 2011 and 2012. In 2013, the exemption will decrease to $1 million per person and the estate tax rate will rise again to 55% on all amounts over $1 million. However, Congress may increase the exemption when it revisits the tax law in the next two years.

Because the new law is temporary, we recommend that our clients keep their disclaimer wills and tax planned wills. If you have any questions concerning the impact of the new law on your estate planning or if you have other changes to your estate planning, please contact us.

GIFT TAX REFORM

Beginning on January 1, 2011, the lifetime gift tax exemption amount increased from $1 million to $5 million per person or $10 million per married couple. The top gift tax rate is 35%. The generation skipping transfer tax exemption is also $5 million per person.

Like the federal estate tax exemption, the new gift tax exemption is only available during 2011 and 2012. Therefore, if you have a large estate, you should take advantage of this short-term opportunity to transfer wealth to your family.

The annual gift tax exclusion amount of $13,000 per person remains the same. This means that each person can give up to $13,000 gift tax free, or $26,000 per married couple, to any number of individuals.

Goddard & Goddard, P.C. partners with clients on estate planning and estate administration matters, including related issues in real estate, oil and gas, business and tax law, and charitable planning.

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DON'T WAIT TO REVIEW YOUR ESTATE PLAN

In light of the new law, now is a good time for you to review your estate plan simply to ensure that it still accomplishes your goals. At a minimum, you should review your estate plan every five years, or more often if there is a change in financial or family circumstances (such as divorce, birth of a child or death of a family member).

FAMILY LIMITED PARTNERSHIPS – SAFE FOR NOW?

A common and highly effective method for gift and estate tax reduction is the use of family limited partnerships and limited liability companies to obtain discounted values for transfers of assets to family members. During the last few years, Congress toyed with the idea of eliminating this discount. However, Congress did not address family limited partnerships in the new law. If you are interested in establishing a family limited partnership or LLC or in making sizeable gifts in existing partnerships or LLCs, please contact us.