Estate Tax Law

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Unprecedented Planning Opportunities Set to Expire at End of 2012

Author: Veronica K. Cerruti

If you are considering making gifts or transferring wealth to your children, grandchildren or other family members, 2012 is the time to act because it presents an unprecedented opportunity for families to transfer wealth while minimizing transfer tax implications. The gift, estate and generation-skipping transfer tax lifetime exclusions are at $5,120,000 and the top gift tax rate is only 35% on transfers exceeding that amount. In addition, asset values are relatively depressed, interest rates are at historic lows, and discounting is more favorable now than it may be in the future. All of these factors may enable you to make a greater gift now at a reduced transfer tax cost than might be the case in the future.

These favorable provisions are set to expire at the end of 2012. Unless Congress takes further action, as of January 1, 2013, the gift, estate and generation-skipping transfer tax lifetime exclusions will be reduced to $1,000,000 and the top tax rate will increase to 55% on transfers exceeding that amount. President Obama has proposed his own revisions to the transfer tax laws, which would include a lifetime gift tax exemption of $1,000,000, an estate and generation-skipping transfer tax exemption of $3,500,000, and a maximum transfer tax rate of 45%. In addition, President Obama's proposal would reduce or eliminate the effectiveness of various favored estate planning techniques by requiring a minimum 10-year term for GRATs, a 90-year maximum term for GST dynasty trusts, and eliminating intentionally defective grantor trusts (i.e., trusts that are taxed to the settlor for income tax purposes but not included in the settlor's estate for estate tax purposes).

President Obama's proposals have not been passed into law, but highlight the uncertainty in the area of transfer taxes. The upcoming presidential and congressional elections in November add further uncertainty about whether Congress will act prior to the end of this year to extend the current law or to enact the President's suggestions or a variation thereof.

If you haven't reviewed your estate plan recently, now is the time to contact your estate planning attorney and your financial advisor. Your attorney can evaluate whether your plan is still appropriate and in compliance with current law and anticipated law changes. Your financial advisor can assess your current financial and retirement needs and help you determine how much, if anything, you can afford to gift. Even if you decide not to make a gift in 2012, your advisors can show you ways to freeze the value of your estate to reduce or eliminate estate taxes due at your death. This is particularly important if, as we

Newsletter Editors

Jill S. Dodd
Partner
Email
415.291.7421

Gary D. Rothstein
Counsel
Email
415.291.7431

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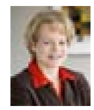

Veronica K. Cerruti
Partner
Email
415.291.7426

anticipate, the reduction in the estate tax exemption occurs at the beginning of 2013.