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A Two-Year Window to Estate and Gift Tax Relief Opens!

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At the end of 2010, President Obama signed the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the 2010 Tax Relief Act), which prevented a significant tax increase in 2011. The 2010 Tax Relief Act extends through December 31, 2012, and on January 1, 2013, the law is set to revert back to the estate and gift tax regime as it existed in 2000. The new law makes several favorable changes to the gift, estate and generation-skipping transfer taxes in 2011 and 2012 of which taxpayers should be aware.

Highlights of the new estate and gift tax law are:

- The federal estate tax exemption is $5 million per person
- The highest federal estate tax rate remains at 35%
- The basis of assets acquired from a decedent will be the fair market value of the property at the date of the decedent's death
- The federal gift tax lifetime exclusion amount increases to $5 million from $1 million per person
- The highest federal gift tax rate remains at 35%
- The generation-skipping transfer tax exemption amount will be $5 million
- The generation-skipping transfer tax rate increases to 35%
- A surviving spouse can elect to take advantage of any unused portion of the estate tax exclusion of his or her predeceased spouse, allowing married couples to effectively shield up to $10 million from federal estate tax

The favorable federal transfer tax system in place through 2012, coupled with the still-depressed real estate climate, provides an excellent opportunity for individuals to take steps to reduce future gift, estate and generation-skipping transfer taxes both in 2011 and 2012. But, the sands are shifting quickly on both of these fronts. Economic indicators forecast an upturn in the markets and we do not know what transfer tax regime will be in effect after 2012.

Reinhart attorneys are available to review and discuss your current estate plan and to revise the plan to create the flexibility necessary to reduce transfer taxes in the future.

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