

Illinois Estate Tax Exemption Increases in 2013

Effective January 1, 2013, the Illinois estate tax exemption increased to \$4 million, with a maximum rate of 16%. There are a number of differences between the Illinois estate tax system and the federal estate and gift tax regime. These differences require proper estate planning for Illinois residents and nonresidents with real estate in Illinois.

The key differences between the Illinois estate tax system and the federal estate and gift tax regime are as follows:

- The Illinois estate and generation-skipping tax exemption is \$4 million, while the federal estate and generation-skipping tax exemption is \$5.25 million in 2013.
- The Illinois estate tax exemption is not indexed for inflation. The federal estate tax exemption is indexed for inflation and has increased by \$250,000 since 2011 due to the inflation adjustment.
- Illinois does not impose a gift tax on transfers made during life; however, there is a federal gift tax on lifetime transfers.
- The maximum estate tax rate for Illinois is 16%. The federal estate tax rate is 40%.
- Illinois does not recognize "portability" for surviving spouses. Under the federal estate tax system, a surviving spouse can elect to take advantage of any unused portion of the estate tax exemption of his or her predeceased spouse.

Without proper planning, the discrepancies between the Illinois estate tax system and the federal gift and estate tax regime could result in an Illinois resident, or a nonresident with real estate located in Illinois, paying unnecessary estate taxes. Specifically, individuals with an estate between \$4 million and \$5.25 million and couples with a combined estate between \$8 million and \$10.5 million need to ensure that their estate plan adequately addresses the differences between the Illinois estate tax system and the federal gift and estate tax regime.

If you would like to review your current estate plan or have any questions, please contact your Reinhart attorney or any member of the Trusts and Estates Practice Area.

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