Tick, Tock, Will Congress Speed Up The Gift Tax Clock?

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As part of the 2010 budget showdown, the unified credit equivalent for federal gift taxes was bumped up to $5 million for 2011 and 2012. In 2013, the amount will be reduced down to $1 million with the expiration of the Bush tax cuts, unless Congress and the President act to modify that amount. What this means is that high net worth taxpayers only have until the end of 2012 to take advantage of the $5 million exemption.

Or do they? About a month ago, rumors started that the Congressional budget “Super Committee” that is tasked with producing budget cuts to Congress by November 23 was considering a reduction in the exemption to $1 million. What was once a trickle is now becoming a torrent of newsletters and warnings regarding the possible reduction with an effective date of November 23.

So far, I have not seen anything from official sources on this. Personally, I find it hard to swallow that the Republicans on the Super Committee would accept this, but of course, anything is possible in Washington D.C. Even if a change is contemplated, there is no certainty that the effective date would be on November 23 – it could be before or after that.

Authored by Charles Rubin, Esq. Mr. Rubin is a Florida Bar Board Certified tax attorney with the firm of Gutter Chaves Josepher Rubin Forman Fleisher P.A. (www.floridatax.com) His practice focuses on protecting & enhancing individual, family & business wealth through: Planning to Minimize Taxes (U.S. & International) • Estate Planning, Charitable, Marital & Succession Planning • Business Structuring & Transactions • Trusts & Estates (Administration-Disputes-Drafting) • Creditor Protection. He can be reached at 561-998-7847 or at crubin@floridatax.com. This article was previously published at http://www.rubinontax.blogspot.com.