

PROPOSED CHANGES TO TAX LAWS

The Administration's recently-released budget for 2013 proposes changes to the estate, gift and generation-skipping transfer tax laws that would eliminate many of the opportunities that are currently available that allow property to be transferred to family members upon favorable terms. The Administration's proposals include the following:

- Reducing the gift tax exemption from \$5.12 Million to \$1 Million and the estate tax and generation-skipping transfer tax exemption from \$5.12 million to \$3.5 Million.
- Increasing the gift, estate and generation-skipping transfer tax rate from 35% to 45%.
- Eliminating discounts if a family limited partnership is used to transfer assets to family members.
- Changing the estate tax law to provide that an irrevocable grantor trust – a trust as to which the donor remains responsible for paying the income taxes – will be included in the donor's gross estate at death.
- Limiting the ability to use multi-generational or “Dynasty Trusts” to shield property from the imposition of a generation-skipping transfer tax to a period of not more than 90 years.
- Increasing the minimum permissible term of a grantor retained annuity trust (a “GRAT”), thereby reducing the effectiveness of a GRAT as an estate planning tool.

To find out more about the proposed changes to the tax laws and the kinds of planning you can do now to avoid the impact of these changes, should they be enacted, please call us.



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