

Estate Planning Outlook: Are You Prepared for the Impending Tax Law Change?

As the year-end approaches, it is important to be aware of the changing tax landscape and planning opportunities it may offer you.

- As we write this, the federal estate and generation-skipping transfer (“GST”) taxes are scheduled to be reinstated on January 1, 2011, with a federal estate tax exemption of \$1,000,000 and a maximum tax rate of 55%. The GST exemption will be \$1,360,000. After years of benefit from a rising exemption (from \$1,000,000 in 2002 to \$3,500,000 in 2009) and a year of total repeal in 2010, we find ourselves once again facing higher federal estate tax rates and a limited exemption. Speculation abounds among the popular media and professionals in the field about when (or if!) Congress will act to address this important tax issue. In fact, the President just announced an agreement with Republican Congressional leaders which includes a top estate tax rate of 35% for 2011 and 2012 and a \$5,000,000 exemption. Stay tuned.
- Due to an inflation adjustment provided for in the Rhode Island estate tax law, as of January 1, 2011 the state estate tax exemption will be \$859,350, up from \$850,000 in 2010. The Massachusetts estate tax exemption remains at \$1,000,000 for 2011.
- Reducing the size of your estate by making gifts is more attractive than ever. The applicable federal rate for purposes of determining the value of gifts made by use of vehicles such as a grantor retained annuity trust (“GRAT”) or a private annuity, just to name two examples, reached its lowest level in history this month. The leveraging opportunity this historically low rate affords is significant.

Your attorney at Partridge Snow & Hahn LLP would be happy to discuss these important issues with you to ensure that your estate plan intentions are fulfilled.

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