

Important Tax Alert

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As of January 1, 2011, the federal estate tax came back into full effect with a \$5 million exclusion. At the same time, the exclusion from federal gift tax was raised to \$5 million so that the exclusions are once again unified. The result of this is that each person may transfer during his life or at his death a total of \$5 million before tax is imposed. Estate Tax will be imposed on transfers in excess of \$5 million, at a flat 35% tax rate. As in the past, there are deductions for certain transfers to spouses and charitable organizations.

The above changes represent a temporary legislative compromise that will expire as of December 31, 2012, after which, if nothing is done, the federal estate tax will revert to pre-2001 levels, i.e., a \$1 million exclusion from both estate and gift tax. Therefore, we recommend that clients consider reviewing their estate plans now to ensure that their current plans do not result in unintended consequences under current law and also to take advantage of any opportunities that may be available to utilize the expanded exclusions from tax.

If you are interested in reviewing your estate plan, please contact any member of the McNees Automotive Dealership or Asset Planning and Federal Taxation groups.

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