

## 2012 Year-End Estate Planning Alert

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As the current federal estate/gift tax law is scheduled to expire on December 31, 2012, this is an opportune time to take advantage of the planning techniques available under current law and to avoid being subject to newly proposed restrictions. Potential low asset valuations and interest rates due to the challenged economy further enhance this period's unique planning potential by allowing assets to be gifted at a lower tax value.

By way of background, until the end of 2012, the federal estate, gift, and generation-skipping transfer ("GST") tax exemption is currently set at an all-time high of \$5,120,000 (or \$10,240,000 per couple) and the top marginal tax rate is at a low of 35 percent.

As the chart at right illustrates, absent congressional action, commencing in 2013, the federal exemption will revert to \$1 million and the top marginal tax rate will increase to 55 percent.

2012 and 2013 Tax Rates and Exemptions		
	2012 (Current)	2013
Estate Tax Rate	35%	55%
Estate Tax Exemption	\$5,120,000	\$1,000,000
Gift Tax Rate	35%	55%
Gift Tax Exemption	\$5,120,000	\$1,000,000
GST Tax Rate	35%	55%
GST Tax Exemption	\$5,120,000	\$1,000,000

In addition, the current federal executive budget includes proposals to limit the efficacy of certain estate planning vehicles, such as "Grantor Retained Annuity Trusts," and to restrict valuation discounts. Fortunately, it appears that documents in existence prior to 2013 would not be affected by these proposals, if they are enacted.

Accordingly, a window of favorable tax planning opportunity exists for people interested in transferring assets to future generations, non-U.S. spouses, domestic partners, or other loved ones in non-traditional committed relationships. Now is also an attractive time to consider succession planning of a closely held business.

Furthermore, the current federal estate tax exemption is not synchronized with the estate tax exemption of many states, such as New York, New Jersey, and Connecticut. Because the provisions of estate planning documents that were not executed recently may have assumed that federal and state exemptions are identical, it is recommended that you review your current documents to determine whether you have properly taken advantage of all available exemptions.

A member of the Epstein Becker Green Personal Planning Department is available to discuss your present estate plan as well as the newly available options for you and your family:

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