



DONAHUE, TUCKER & CIANDELLA, PLLC

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2012 Estate Tax Update

Federal Estate Tax

Effective January 1, 2012, the gift tax exemption amount and the estate tax exemption amount is \$5,120,000, up from \$5,000,000 last year. The generation-skipping transfer tax exemption is \$5,000,000. The annual gift tax exclusion amount remains at \$13,000 per donee (\$26,000 for married couples). Unless Congress takes action before the end of this year, in 2013 the federal gift, estate and generation-skipping tax exemption amounts will all revert to \$1,000,000.

In President Obama's budget proposal for the 2012 year, he presumes the following estate tax changes in 2013:

- \$3,500,000 estate and generation-skipping tax exemption amounts
- \$1,000,000 gift tax exemption amount
- Retaining the spousal portability provision
- Eliminating discounts for family limited liability companies and limited partnerships
- Requiring GRATS to have a minimum 10-year term

Democrat and Republican representatives have varying estate tax proposals and many believe we will have temporary fixes of \$5,000,000 transfer tax exemption amounts until Congress reaches a permanent resolution. Because it could be many years until a compromise is reached, individuals should continue to review their estate plans to ensure they comport with their wishes under the current estate tax regime and possible changes in the future.

Tips for Avoiding Unnecessary Probate for UTMA, 529 & HSA Accounts

If you created a Uniform Transfers to Minor Account (UTMA) or a 529 Plan account or have a health savings account, you should check to see if you designated a successor custodian or account owner. Designating a successor can avoid the headache and expense of having to petition the probate court to designate a successor after the current owner or custodian dies. A simple phone call to the financial institution or your company's benefits department may save your family hours of time and money having to address this later. This is one of those little details that often get overlooked when individuals are funding their revocable trusts to avoid probate.

If you are interested in meeting with one of our estate planning attorneys to review your current plan or trust funding, please contact one of us at 778-0686.

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