

# Estate Tax Update

## *Federal Estate Tax and Generation Skipping Transfer Tax Expires for 2010*

The scheduled repeal of the Estate and Generation Skipping Transfer (GST) tax for 2010 has occurred because Congress enacted no new legislation by December 31, 2009. So, effective January 1, 2010, there is no federal Estate and GST tax; however, this law is scheduled to sunset on January 1, 2011, at which time we will revert back to the estate tax laws of 2001 with a \$1 million exemption for Estate and GST tax, according to the Economic Growth and Tax Relief Act of 2001.

Highlights of the current law in effect for 2010:

- Estate and GST tax is repealed (there is no Estate or GST tax)
- The gift tax remains in effect; however, the maximum gift tax rate is lowered from 45% to 35% to match the highest individual income tax rate
- The lifetime exemption for gifts remains at \$1 million
- The annual gift tax exclusion remains at \$13,000
- The step-up in basis for assets transferred upon death is also repealed. This is replaced by a modified carry-over basis as follows:
  - A basis increase of \$1.3 million per decedent
  - A basis increase of \$3 million for assets transferred at death to a surviving spouse

It is possible for Congress to enact a new law during 2010 to change the Estate and GST tax; however, the effective date on any modifications is unknown. The effective date could either be when the new law is signed, or it could be made retroactive to take effect January 1, 2010. However, if made retroactive, the law could be challenged in the court system.

If you have any questions regarding the impact of the Estate and GST tax repeal, please contact your Financial Consultant.

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