Estate Tax Implications of Fiscal Cliff Deal

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The new estate tax provisions in the fiscal cliff bill signed by President Obama on Wednesday, January 2, 2013, were a mixed bag. The $5 million per person exemption was kept in place (continuing to be indexed for inflation); however the top rate on the estate tax increased to 40%, up from 35% in 2012. Portability remains in place, which means that if one spouse dies without using up his or her federal estate tax exemption, the unused portion may be transferred to the surviving spouse in addition to his or her own exemption. Finally, the estate and gift taxes continue to be unified, therefore the $5 million exemption also applies for gift tax purposes as well. These changes are permanent law.

Also noteworthy, but not unexpected: The fiscal cliff bill raises taxes on capital gains and dividend income exceeding $400K for individuals and $450K for families from 15% to 20%. And for the 2013 tax year, the Internal Revenue Service has raised the annual gift tax exclusion for the first time since 2009 to $14,000 per individual or $28,000 per married couple.

The LMWF Trusts & Estates practice group is available to assist you in crafting a flexible estate plan that meets your individual goals during these changing times. Please contact Roy Cunningham , Mary Engler Roche, or Christina Arthurs for more information.

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