

Take Advantage of the \$23.16 Million Estate, Gift, & GST Tax Exemption Before It's Gone

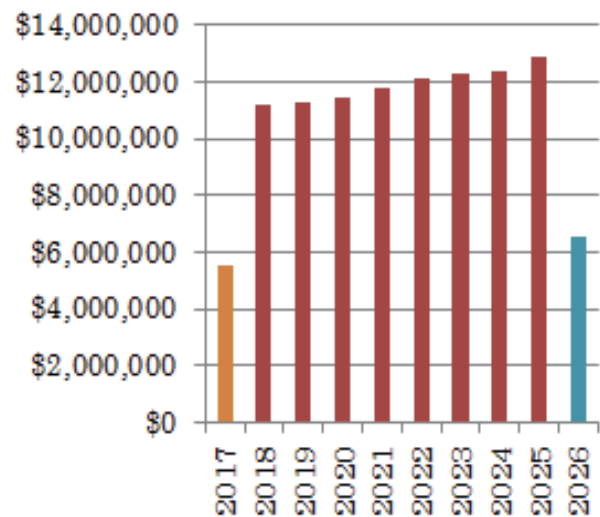
The 2017 Tax Cuts and Jobs Act doubled the estate, gift, and generation-skipping transfer tax exemption amounts for individuals. These valuable benefits automatically expire after December 31, 2025. A Democrat-controlled Congress and White House in 2021 could roll back exemption amounts further (and sooner) and make other big changes to wealth transfer taxes.

The increased estate, gift and GST tax exemptions may not be around long. Don't miss out.

As a result of the 2017 Tax Cuts and Jobs Act, the estate, gift, and generation-skipping transfer (“GST”) tax exemptions more than doubled from \$5.49 million per person to \$11.18 million per person, with annual increases for inflation, through 2025. The 2020 inflation-adjusted exemptions are \$11.58 million per person, permitting a married couple to pass \$23.16 million to family members free of gift, estate, and GST taxes in 2020.

It is crucial for families with significant wealth to maximize planning opportunities now—and not just because the increased exemption amounts sunset after 2025. Many of the 2020 Democratic candidates for President have proposed major changes to gift, estate, and GST taxes. Senator Bernie Sanders has proposed reducing the estate tax exemption to \$3.5 million, reducing the gift tax exemption to \$1 million, applying the GST tax to trusts that last more than 50 years, and raising the estate tax rate from a flat 40% to a range of 45% to 77%. Senator Elizabeth Warren has proposed reducing the estate tax exemption to \$3.5 million and raising the estate tax rate to a range of 55% to 75%. Senators Sanders and Warren have also proposed an annual “wealth tax” for individuals with assets exceeding a certain amount. Joe Biden has proposed eliminating the basis step-up at death. Although it is impossible to predict the outcome of the 2020 election, if Democrats gain control of both chambers of Congress and the Presidency, these proposals could become law as early as 2021.

The following table shows the actual and projected estate, gift, and GST tax exemption amounts under current law. IRS regulations now provide that use of the increased exemption amounts before 2026 will be respected after the exemption reverts to pre-2018 levels. The regulations also make clear that a taxpayer must “use or lose” the increased exemption, meaning



Estate, Gift & GST Exemption. 2019-2026 exemptions are estimates based on an assumed inflation rate of 2%.

a taxpayer’s lifetime gifts will reduce the original \$5.49 million exemption first.

So, assuming no further changes in the law, if you use \$5.49 million of your exemption between 2018 and 2025, you will have no exemption left in 2026. In contrast, if you use all \$11.58 million of your exemption in 2020, you will have removed more than \$6 million from your estate that would otherwise be subject to estate tax in 2026 and beyond. An additional benefit of lifetime planning is that all appreciation on gifted assets is kept out of your taxable estate. Over 20 years, the appreciation on \$6 million could be substantial.

The attorneys at CEC are ready to help you take advantage of the increased exemption amounts before it is too late. The price of inaction could be a significantly higher estate tax bill.

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LEGAL ADVICE TO HELP
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