

January 2011

2011 CLIENT ALERTS – PART 1

Take Advantage of Unprecedented Gift Tax Planning Opportunities Now

On December 17, 2010, President Obama signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (“the Act”). The Act provides a temporary two-year extension of many Bush-era tax cuts including significant federal gift tax relief.

The passage of the Act implements dramatic changes to the federal gift tax only during calendar years 2011 and 2012:

- The lifetime gift tax exemption has been increased to \$5,000,000 per donor. Clients who have already used their previous \$1,000,000 gift tax exemption now have an additional \$4,000,000 to give free of any gift tax.
- The gift tax annual exclusion remains at \$13,000 per donee.
- The top marginal gift tax rate has been reduced from 55% to 35%.
- Married couples may now gift a combined total of \$10,000,000 during their lifetimes.

It is crucial to note that these improvements to the federal gift tax only affect gifts made during 2011 and 2012. As we have witnessed over the last few years, an extension of these tax cuts and increased exclusion amounts are less than certain. In fact, if action is not taken by Congress to extend the current law beyond calendar year 2012, a \$1,000,000 applicable exclusion amount will return for calendar year 2013 along with a maximum marginal gift tax rate of 55%.

Clients with a desire to benefit individuals and reduce gift and estate taxes should seriously consider making lifetime gifts in 2011 or 2012 while these favorable, yet temporary laws exist.

Now is the time to make large gifts outright to individuals or into one or more irrevocable trusts to take advantage of the additional \$4,000,000 lifetime gift tax exemption.

Before proceeding, please contact your advisor to discuss the most tax-effective way to make gifts to accomplish your goals. As always, please contact any of our attorneys in the [Tax, Trust & Estates Group](#) to discuss appropriate gifting strategies with you.

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