

Tennessee Tax Law Update

May 24, 2012

**TENNESSEE GIFT TAX REPEALED,
INHERITANCE TAX TO BE PHASED OUT**

On May 21, 2012, Governor Bill Haslam signed legislation passed by the Tennessee General Assembly that repeals the Tennessee gift tax and phases out the Tennessee inheritance tax.

The repeal of the Tennessee gift tax is retroactive to January 1, 2012. The Tennessee inheritance tax is phased out by increasing the exemptions over the next three years until fully repealed in 2016. The Tennessee inheritance tax exemptions will be as follows.

2012	\$1,000,000
2013	\$1,250,000
2014	\$2,000,000
2015	\$5,000,000
2016	No inheritance tax

Currently, the federal gift tax exemption is \$5,120,000 until the end of 2012. However, on January 1, 2013, the federal gift tax exemption will revert back to \$1,000,000.

The repeal of the Tennessee gift tax combined with the historically high federal gift tax exemption provides significant estate planning opportunities for Tennessee residents. Before the end of this year, high net worth individuals should consider transferring assets to beneficiaries to take advantage of the increased federal gift tax exemption.

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