

Estate Planning Moves to Make Before the End of 2012 (because of the pending changes in estate and gift tax laws)

As the year 2012 comes to a close, there are several changes regarding estate and gift tax laws that are set to kick in with the New Year. Unless Congress decides to act before the end of the year, the federal estate and gift exemptions will return to 2001 levels and estate tax rates will increase beginning January 1, 2013. In the event that Congress does not move to extend the current exemptions and tax rates, it will be important for you to understand how the new changes will affect your estate and future estate planning as well as if there is anything you can do in the final weeks of 2012 to benefit from the current law.

Reduced Exemption Means Higher Taxes

Under the current law, the lifetime gift exemption is \$5.12 million per person (\$10.24 million for couples) and the top estate tax rate is 35%. At the beginning of 2013, assuming that Congress does not act to extend the current exemptions and tax rates, the exemption will fall to \$1 million per person (\$2 million for couples) and the top estate tax rate will increase to 55%.

What this means is that a large group of people who did not need to plan for the federal estate tax will now need to consider and plan for this costly tax. If you are a person with a taxable estate that is worth less than \$1 million or a couple with a taxable estate that is worth less than \$2 million, the changes previously discussed probably won't mean much to you and your estate plan at the moment. If you are a person or couple who has a taxable estate that is worth more than those amounts, you could experience a substantial increase in your estate tax liability as a result of the pending changes. Remember, your estate includes your home, insurance policies, investments, and everything you own.

Only a Few Weeks Left To Take Advantage of the Higher Exemption

In the next few weeks you should consider taking advantage in the current \$5.12 million exemption (\$10.24 million for couples) in order to limit your estate tax liability. Gifting part of your estate to your heirs while the current exemptions and tax rates are in place, along with other estate planning strategies, could be very beneficial for your estate.

With only a few weeks until the changes potentially kick in, it is important that you know what your options are and what the best course of action is for you to take. Our [Arizona estate planning attorneys at Gunderson, Denton, and Peterson PC](#) can help you take advantage of the current exemptions and tax rates as well as answer any further questions you may have about your estate plan.