

Client Alert



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This alert provides a general summary of recent legal developments. It is not intended to be, and should not be relied upon as, legal advice.

Private Wealth Bulletin

Is the \$5 Million Gift Tax Exemption in Jeopardy?

Federal wealth transfer tax law enacted in December 2010 (the "2010 Tax Act") increased gift, estate and generation-skipping transfer tax exemptions to \$5 million for calendar years 2011 and 2012. We have sent several previous alerts indicating the opportunity afforded by this new law for those willing to act before the end of 2012. Based upon information coming out of Washington as of late, some have speculated that the ability to make large lifetime gifts without incurring tax liability may be cut short. More specifically, it has been rumored that when the "Super Committee" is required to issue its decision on November 23, 2011, its recommendations could include a reduction of the federal gift tax exemption from the current \$5 million to \$1 million, and that the effective date of legislation implementing the change may be December 31, 2011, or possibly even November 23, 2011.

While we do not suggest making large gifts hastily and without proper consideration and planning, those who were considering making lifetime gifts may wish to accelerate the timeframe for doing so. The future of wealth transfer tax law is unknowable, and we recommend that those considering making gifts do so as soon as practicable. As mentioned in prior alerts, current interest rates are at record lows and the planning opportunities, particularly while the \$5 million gift tax exemption is in place, are extremely attractive.

If you would like to discuss how a change in the law may impact your plan, please contact one of us to discuss your options.

IRS Circular 230 Notice:

To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.