

Private Wealth Group

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LEGISLATIVE PROPOSAL WOULD SIGNIFICANTLY IMPACT WEALTH TRANSFER PLANNING—PROMPT CONSIDERATION IS WARRANTED

This week, the House Ways and Means Committee released draft tax legislation. The legislative draft includes several provisions especially relevant to high-net-worth families and estate planning, including reducing the wealth transfer tax exemptions and curtailing the benefits of grantor trusts in estate planning. While there is no certainty as to which provisions will ultimately be enacted, the looming risk of adverse legislative changes merits a prompt review of existing planning and whether additional planning is appropriate.

Under current law, the inflation-adjusted estate, gift, and generation-skipping transfer tax exemptions are \$11.7 million per person, but those exemptions are scheduled to be cut in half after 2025. The Ways and Means draft would accelerate the reduction, causing exemptions to be cut in half starting on January 1, 2022.

In addition, the draft legislation targets grantor trusts, which are commonly used in many estate planning techniques. Estate planning strategies that utilize grantor trusts include grantor retained annuity trusts (GRATs), irrevocable life insurance trusts (ILITs), and sales to intentionally-defective grantor trusts (IDGTs).

The Ways and Means draft legislation also includes a multitude of other changes especially noteworthy for high-net-worth clients, including but not limited to limits on valuation discounts for transfer tax purposes, increased capital gains rates and surtaxes on high-income earners (including trusts), higher corporate tax rates, and additional required distributions from large retirement accounts.

Although it is impossible to predict exactly what form any enacted legislation may take, high-net-worth clients should consider implementing planning strategies now to get ahead of the effective date of any potential changes. Please contact a member of the [Private Wealth Group](#) to discuss how the legislative proposals may affect your planning.

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