

From Gary R. Waitzman  
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# Let's Talk About...



## How can we help?

Is there a way we can help you or your family?

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## Important Estate Tax Law Changes

For years there has been talk about doing away with the Federal estate tax.

The tax bill, passed in the closing days of 2017, partially achieved that goal for most American taxpayers. The new law increases the amount that a single person can pass during life or at death to \$10M. This amount is to be adjusted based on an inflation index.

**Important Note:** The law increasing the exemption is only good until January 2026. After that, the exemption goes back to \$5.5M.

Crazy? It would seem so, but this is the best Congress could do given the other tax priorities on their agenda.

**Key take-away:** If you plan to be alive in 8 years, and your estate is more than \$5.5M (\$11M for married couples) then Federal estate tax planning should still be a priority. Of course, estate tax planning is still necessary if you live in a state that has estate or inheritance taxes.

Other aspects of the tax law changes include:

**Basis step-up at death.** The tax law did not change the rules concerning stepped up basis at death. With the step-up in tax cost retained and a much higher federal estate tax exemption, income tax planning becomes a much more important element in estate planning and estate administration.

**Annual exclusion gifts.** Individuals are still permitted to make annual gifts during their lifetimes in the amount of \$15,000 per person. The gift tax annual exclusion amount remains subject to an inflation adjustment.

**Gifts made during lifetime continue to pass the donor's tax cost.** It will make sense to analyze the income tax savings possible with a step-up vs estate and gift tax savings of making a gift.

In addition to tax planning, clients should continue to look at advance estate planning techniques for:

**Asset protection.** Certain trusts can provide protection from

creditors and divorcing spouses and provide control over how beneficiaries inherit wealth (particularly important for families with spendthrift, mental illness and addiction considerations) and help preserve wealth for generations.

**Charitable Planning.** Many clients plan to leave significant sums to charity. Advanced planning can help clients achieve these goals in the most tax effective manner possible.

**Portability election.** The portability election, which allows a surviving spouse to use the deceased spouse's unused federal estate and gift tax exemption, is unchanged. This means a married couple can use the full \$20 million exemption (indexed for inflation). But each family situation is unique and in some cases, the portability election will not be the best way to accomplish desired estate planning goals.

In all, the estate tax changes are beneficial to those who die in the next 8 years. For those intending to live longer, it may be best to ignore the temporary changes and plan with long term goals in mind.

If you have questions, [click here](#) to have our office call to set up a time to discuss this with you.

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