TAX ALERT

October 1, 2012 WWW.HANDLERTHAYER.COM

Review Your Estate Planning Now and Consider Taking Advantage of the Increased Transfer Tax Thresholds in 2012 Before the End of the Year

The opportunity to make significant gifts without paying gift taxes may expire at the end of this year. **NOW** is the time to review your estate planning to consider making transfers in 2012. Tax planning can be difficult in any year, let alone an election year, and we believe this year will be no different. In late 2010, Congress increased the wealth transfer thresholds for 2011 and 2012, but those favorable thresholds are not permanent and are set to expire at the end of this year. Given the current discord in Congress, it is possible that Congress will not extend tax benefits for so-called "millionaires and billionaires."

The current law provides the following tax thresholds for wealth transfers:

	2012		2013	
	Sheltered Amount	Tax Rate on Excess	Sheltered Amount	Tax Rate on Excess
Gift Tax Exclusion	$5.12 Million	35%	$1 Million	55%
Estate Tax Exclusion	$5.12 Million	35%	$1 Million	55%
GST Tax Exemption	$5.12 Million	35%	$1.39 Million	55%

Note the dramatic reduction in the exclusion or tax sheltered amount, and the increase in the tax rate. The lifetime gift and estate exclusions, as well as generation-skipping transfer (GST) tax exemption for the remainder of 2012, is $5.12 million per person ($10.24 million for a married couple, reduced by any lifetime exclusion previously used). If Congress fails to act in a timely manner, as we predict, the gift and estate tax exclusions would decrease on January 1, 2013 to $1 million, with any wealth transferred in excess of that threshold taxed at 55%, in addition to imposition of inheritance and estate taxes by the states and territories in which you own property.

Alternatively, wealth industry sources have speculated that a so called "lame duck" Congress could extend these preferential 2012 thresholds into 2013, but likely not until after the election. The problem with waiting until after the election to make planning decisions is twofold: (i) individuals may feel rushed in making significant family decisions, and (ii) individuals may run out of time to gather information and make necessary transfers to ensure the planning is completed in 2012. If valuations are needed, it will become increasingly difficult to obtain such valuations in a timely manner.

Given the combination of political uncertainty and legislative gridlock, we feel the window of opportunity to take advantage of the current favorable transfer tax thresholds is closing quickly. Some of the more sophisticated wealth transfer strategies require time to implement.

Please do not delay if you are interested in exploring your options. We may never see a gift tax exclusion this favorable again.

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