



HIGHLIGHTS OF GIFT AND ESTATE TAX CHANGES UNDER THE NEW “TAX CUTS AND JOBS ACT”

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By: Michael P. Dowling

With the President’s signing of the Tax Cuts and Jobs Act on December 22, 2017, there are significant changes to the federal estate and gift tax laws you should be aware of as the New Year begins. Of particular relevance to our estate planning clients, including small business owners and family farming enterprises, are the increases in estate, gift and generation-skipping transfer tax exemptions. The highlights are as follows: Effective January 1, 2018 through December 31, 2025 (unless extended by Congress), the estate tax exemption is doubled from its current level of \$5.6 million per individual to \$11.2 million per individual. When a married couple aggregates their respective \$11.2 million exemptions, they can leave \$22.4 million estate tax-free to their children, grandchildren or other beneficiaries. As with existing law, once the exemption amount (also known as a credit against the gift and estate tax) is exceeded, the gift or estate tax, as applicable, is imposed at a 40% tax rate. The Tax Cuts and Jobs Act (“Act”) also increases gift tax and generation-skipping transfer tax exemptions such that, effective January 1, 2018, an individual may gift up to \$11.2 million tax-free to children and grandchildren, and a married couple could gift up to \$22.4 million tax-free to children and grandchildren. The Act retains “portability” of one spouse’s unused exemption to the surviving spouse’s estate.

The Act made no changes to the “step up in basis” rules; therefore, upon death all assets of an individual’s estate receive a new cost basis so that those assets can be sold post-death with a corresponding reduction in any capital gains tax that may attach due to appreciation since date of death. Effective January 1, 2018, the annual exclusion for gift tax increases to \$15,000 per year per donee. Therefore, a married couple may gift \$30,000 per year per donee without expending any of their lifetime gift tax exemption. We expect that 2018 will see a renewed interest in wealth transfer and related estate and business succession planning so as to take advantage of the new provisions in the Act. Should you wish to explore these opportunities, we are available to help.



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This article was written by Michael P. Dowling, a partner of Coleman & Horowitz, LLP. With over 20 years experience, Michael practices in the transactions department of the firm where he represents clients in business transactions, estate planning, probate and trust administration matters. If you have any questions regarding the subject of this article, please contact Mr. Dowling at (559) 248-4820/(800) 891-8362, or by e-mail at mdowling@ch-law.com.

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