# Tax Laws Enacted at Year-End Create Tremendous Wealth Transfer Opportunities

The tax laws[1] enacted on December 17, 2010 (2010 Act) make drastic changes to the estate, gift, and generation skipping-transfer (GST) taxes. In summary:

- the estate, gift and GST exemptions are increased to $5 million in 2011, indexed for inflation in 2012; and
- the estate, gift and GST tax rates are capped at 35% for 2011 and 2012.

## *Wealth Transfers in 2011 and 2012.*

The increased gift tax and GST exemptions create a tremendous wealth transfer opportunity. In 2011 and 2012, a married couple can transfer up to a combined $10 million to children and grandchildren free of gift tax, and in a manner that could exempt such wealth from transfer tax forever.[2] Individuals who used some or all of their gift and/or GST tax exemptions in previous years have up to $4 million of additional gift and GST exemptions available in 2011 and 2012.

Contrary to expectations, the 2010 Act does not impose a minimum term on grantor-retained annuity trusts (GRATs), nor does it limit or eliminate valuation discounts on transfers of interests in closely-held entities. The combination of these factors, along with historically low interest rates, make significant wealth transfer strategies in 2011 and/or 2012 extraordinarily compelling.

## *Window May be Limited in Time.*

This window of opportunity may close on December 31, 2012 when the provisions of the 2010 Act will expire. Without further legislation, the gift tax and GST exemptions (as well as the estate tax exemption) will revert back to $1 million with a maximum tax rate of 55% effective 2013.

We encourage you to contact an attorney in our Trusts and Estates Group to discuss the estate planning opportunities available to you as a result of the 2010 Act.

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1 The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act

2 Reduced by any previous taxable gifts, such as those that used part or all of the former $1 million gift tax exemption.

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