

# Estate Planning Notice

## Eleventh-Hour Fiscal Cliff Tax Relief Finally Creates Estate, Gift and GST Tax Certainty

On January 1, 2013, Congress passed the American Taxpayer Relief Act of 2012 (the "Act"), which, among other changes, finally provides a level of certainty to the federal estate, gift and GST taxes that has not existed since the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001. The Act keeps estate, gift and GST exemption levels at \$5 million (indexed for inflation) but increases the applicable tax rate from 35% to 40%.

The Act represents the much-hoped-for compromise to avoid the so-called fiscal cliff. In the final hours, the estate tax proved to be a surprisingly important battleground that threatened to derail the entire compromise. Ultimately, Democrats conceded a \$5 million exemption in exchange for higher income and estate tax rates. The Act also made permanent certain favorable estate, gift and GST tax laws, including inflation indexing of the exemptions, portability of a deceased spouse's unused estate tax exemption and allowing qualified severances of trusts for optimal use of GST exemption.

The new 40% estate tax rate will significantly increase the estate tax liability for estates in excess of \$5 million, thereby making lifetime estate tax planning as important as ever. Accordingly, high-net-worth individuals should consider taking advantage of appropriate estate tax saving techniques, including GRATs, installment sales and loans, equity freezes, QPRTs, fractional interests and discount entities. However, Congress continues to discuss comprehensive tax reform, and some estate planning techniques that are particularly attractive today could conceivably be limited or eliminated as part of any future tax reform.

In addition, existing basic estate plans should be reviewed and, if appropriate, revised in light of the new tax laws to ensure that such plans will operate as intended and achieve the best tax results.

If you would like to discuss how the new tax laws affect your specific situation and existing estate plan, please contact a member of the Vedder Price Estate Planning group at +1 (312) 609 7500.

### Federal Estate, Gift and GST Tax Exemptions and Rates:

	2012		2013, had Congress failed to act		2013+ after fiscal cliff rescue	
	Exemption	Rate	Exemption	Top Rate	Exemption *	Rate
Estate Tax	\$5,120,000	35%	\$1,000,000	55%	\$5,250,000	40%
Gift Tax	\$5,120,000	35%	\$1,000,000	55%	\$5,250,000	40%
GST Tax	\$5,120,000	35%	\$1,430,000	55%	\$5,250,000	40%

\* As of January 2, 2013, the IRS had not yet announced the official inflation-adjusted exemptions for 2013 for the estate, gift and GST taxes, but \$5,250,000 is the best projection available based on current data.

**FEDERAL TAX NOTICE: Treasury regulations require us to inform you that any federal tax advice contained herein is not intended or written to be used, and cannot be used, by any person or entity for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.**

### Principal Estate Planning Members of the Tax & Estate Planning Group

Igor Potym ..... +1 (312) 609 7542  
Michael G. Beemer ..... +1 (312) 609 7630  
Charles H. Wiggins, Jr. .... +1 (312) 609 7525  
Christine M. Rhode ..... +1 (312) 609 7575  
Michael D. Whitty ..... +1 (312) 609 7812  
Robert F. Simon ..... +1 (312) 609 7550  
Amy E. Lewis ..... +1 (312) 609 7837  
Maureen Huhs ..... +1 (312) 609 7558

## VEDDER PRICE®

222 NORTH LASALLE STREET

CHICAGO, ILLINOIS 60601

+1 (312) 609 7500 | +1 (312) 609 5005 • FAX

1633 BROADWAY, 47TH FLOOR

NEW YORK, NEW YORK 10019

+1 (212) 407 7700 | +1 (212) 407 7799 • FAX

1401 I STREET NW, SUITE 1100

WASHINGTON, D.C. 20005

+1 (202) 312 3320 | +1 (202) 312 3322 • FAX

4 COLEMAN STREET

LONDON EC2R 5AR

+ 44 (0)20 3667 2900 | + 44 (0)20 3667 2901 • FAX

[www.vedderprice.com](http://www.vedderprice.com)

### Estate Planning Group

Vedder Price has long recognized the importance of estate and financial planning, and its attorneys have taken leadership roles in the development of this changing area of the law. The firm's practice in this area has grown steadily, and now has both a national and an international scope. Vedder Price's attorneys combine technical experience in all aspects of estate and financial planning with a strong appreciation of personal values, priorities and goals, as well as the unique needs of business owners.

The firm represents clients with diverse personal objectives and financial interests, including individuals with large estates; individuals with personal situations requiring special planning; owners of closely held businesses; and corporate executives, professionals and inheritors. Vedder Price's estate and financial planning attorneys also represent executors, administrators, trustees and guardians. In addition, the firm provides estate and financial planning counsel to businesses, not-for-profit organizations and other professionals who consult with Vedder Price regarding their own clients.

### About Vedder Price

Vedder Price is a business-oriented law firm composed of more than 265 attorneys in Chicago, New York, Washington, DC and London. The firm combines broad, diversified legal experience with

particular strengths in commercial finance, corporate and business law, financial institutions, labor and employment law and litigation, employee benefits and executive compensation law, occupational safety and health, general litigation, environmental law, securities, investment management, tax, real estate, intellectual property, estate planning and administration, health care, trade and professional associations and not-for-profit organizations.

*Estate Planning Notice* is published periodically by the law firm of Vedder Price P.C. It is intended to keep our clients and interested parties generally informed on estate planning issues and developments. It is not a substitute for professional advice. For purposes of the New York State Bar Rules, this communication may be considered ATTORNEY ADVERTISING. Prior results do not guarantee a similar outcome.

Vedder Price is an international law firm operating through various separate and distinct entities. One of those entities is Vedder Price LLP, which operates in England and Wales and is regulated by the Solicitors Regulation Authority. For further information, please refer to [www.vedderprice.com](http://www.vedderprice.com).

© 2013 Vedder Price P.C. Reproduction of this newsletter is permitted only with credit to Vedder Price P.C. For additional copies or an electronic copy of this newsletter, please contact us at [info@vedderprice.com](mailto:info@vedderprice.com).