

Looking Ahead to 2021 with a Focus on Your Estate Plan

We are just past the midpoint of a year like no other. Many aspects of our lives have been challenged and reconfigured, with even more changes a certainty. Depending upon the outcome of the election in November, significant federal tax law changes could be enacted in 2021. With that in mind, we encourage you to consider acting without delay to take advantage of estate planning opportunities that may be curtailed in the near future.

The federal estate, gift, and generation-skipping transfer ("GST") tax exemptions currently stand at \$11,580,000 for individuals and \$23,160,000 for married couples. The federal estate, gift, and GST tax rates are 40%. Under current law, these exemptions are slated to increase with inflation annually until December 31, 2025, after which, absent further legislative action, they will revert to the pre-2018 level of half that amount (\$5,490,000 per individual, plus an inflationary adjustment).

Although Vice President Biden has not formally specified how he would alter the federal estate and gift tax, it is widely believed that a reversion to the pre-2018 exemption is likely, and a reduction to an even lower exemption is possible. Notably, the Biden-Sanders Unity Task Force (representing the campaigns of Vice President Biden and Senator Bernie Sanders) issued a report on July 8, 2020 which recommended increasing estate taxes back to historical norms – which could be interpreted to mean a tax rate of up to 55% and a reduction in the exemption to \$3,500,000 or lower.

In anticipation of these changes, which could take effect as early as January 1, 2021, you may wish to plan now to maximize the benefit of using the current higher exemptions by making estate planning transfers prior to the end of 2020.

We strongly recommend that you act early, as completion of this planning will require consultation with your legal, accounting and financial advisors. In many cases, appraisals may be required and bank accounts will need to be opened for trusts or other entities. In the lead-up to the enactment of the American Taxpayer Relief Act of 2012, when there was a similar surge in efforts to complete estate planning by December 31, 2012, we observed that those clients who delayed implementation of their planning until late in the year were, in some cases, unable to assemble the needed expertise to complete their plans in time.

If you have any questions about how these topics may impact your family or your estate plan, or what planning opportunities are relevant for you, please contact us.

This alert is for general informational purposes only and should not be construed as specific legal advice. If you would like more information about this alert, please contact one of the following attorneys or call your regular Patterson contact.

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