# Trust & Estate Planning Group

**Keep your estate plan current:**
Changes in your own life can make a difference.

We want to be sure your estate is planned and updated so that your wishes are fulfilled. The laws governing estates and trusts are constantly changing, and nearly every year there are modifications at the state or federal level that can impact your planning. Changes in your own life can also make a difference.

We have put together a list of events that may affect your estate planning. If any of these events has occurred since you executed your estate planning documents, please contact our office so that together we can review your existing plan and advise you concerning any necessary or suggested updates.

- Inheritance or gift received
- Health problems or serious illness
- Marriage of a family member
- Dissolution (divorce) or marital separation
- Birth or adoption
- Death or disability of a family member
- Real property purchase outside your state of residence

Changes in the following:

- Estate values significantly increase or decrease
- Income or nature of income
- Asset ownership or business interests, including incorporation or partnership formation
- Employment status
- State residency
- Life insurance coverage or insurability
- Executor, trustee or guardian appointees

*The preceding list is not intended to be comprehensive, and other events, including changes in the law, may occur that would necessitate a review of your estate plan.*

**THE FOLLOWING IS A BRIEF SUMMARY OF THE FEDERAL ESTATE AND GIFT LAWS FOR 2017.**

## FEDERAL ESTATE AND GIFT TAX EXEMPTION

The current exclusion from the federal estate tax and the federal gift tax is $5,490,000, an increase from $5,450,000 in 2016. This increase, resulting from an annual inflation adjustment, allows taxpayers to give additional amounts in 2017. The current effective tax rate for transfers above this threshold is 40%.

## ANNUAL EXCLUSION GIFTS

In 2016, each person (donor) now has an annual exclusion from the application of the federal gift tax of $14,000 in value of assets per recipient (donee) per calendar year. Note that this amount is indexed for inflation and is rounded to the nearest multiple of $1,000.

There is no limitation on the number of donees. Annual exclusion gifts are not included in the donor's federal estate and federal gift tax exemption. The gifts must be completed by December 31 to qualify for the calendar year exclusion.

## INCOME TAX BASIS OF TRANSFERRED ASSETS

Gifts are favored under the income tax law—property received by way of gift or inheritance is not includible in a donee's income and generally has no adverse tax consequences. However, a donor should be aware of the differences between the income tax basis treatment of assets that are given and the assets that are inherited at death.

When assets are given, the donor's income tax basis in the given property is transferred to the donee. When assets are transferred at death, the income tax basis of inherited property is generally the fair market value at the time of the decedent's death. As a matter of overall strategy, donors commonly make lifetime gifts of cash or slightly appreciated property and retain highly appreciated assets until death or use such assets to make charitable gifts.

## POTENTIAL CHANGES IN 2017

President-elect Trump and the Republican-controlled Congress intend to make significant changes to the federal estate and gift laws in 2017. The Trump plan would repeal the federal estate tax and replace it with a capital gains tax at death on assets exceeding $10,000,000. The House plan would also repeal the estate tax but makes no mention of changes to the capital gains tax. The federal gift tax would likely be refined under either plan.

## WANT TO KNOW MORE?

If you have any questions about year-end giving strategies or other issues that may have an impact on your estate planning, please contact your attorney at Perkins Coie.