PERKINSCOIE PERKINSCOIE TRUST COMPANY

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 2018

FEDERAL ESTATE AND GIFT TAX EXCLUSION

The current exclusion from the federal estate tax and the federal gift tax is $11,180,000, an increase from $5,490,000 in 2017. This increase, resulting from the passage of the Tax Cuts and Jobs Act of 2017, allows taxpayers to make significant additional gifts in 2018. The effective tax rate for transfers above this threshold remains 40%.

ANNUAL EXCLUSION GIFTS

In 2018, each person (donor) now has an annual exclusion from the application of the federal gift tax of $15,000 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.

MAJOR CHANGES IN 2017

The Tax Cuts and Jobs Act of 2017 noted above (the "Act") was signed into law by President Trump on December 22, 2017, and became effective on January 1, 2018. The Act effectively doubled the lifetime gift and estate tax exclusion to $11,180,000, adjusted for inflation. However, under the Act, the gift and estate tax exclusion will revert back to the inflation-adjusted $5,490,000 after December 31, 2025, so taxpayers may have a limited window to use the increased gift exclusion.

WANT TO KNOW MORE?

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