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 life events and other changes that may affect your estate planning. If any of these events or changes have 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.

SIGNIFICANT LIFE EVENTS

- 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

OTHER CHANGES

- Estate values significantly increase or decrease
- Income level 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 TAX LAWS FOR 2020

FEDERAL ESTATE AND GIFT TAX EXCLUSION

The current exclusion from the federal estate and gift tax is $11,580,000 per individual, which is an increase from $11,400,000 in 2019 (this increase is the result of a statutory inflation adjustment). The effective tax rate for transfers above this threshold remains 40%.

The surviving spouse may be able to use the deceased spouse's unused exclusion amount (the "DSUE amount"). In order for the surviving spouse to use the DSUE amount, the executor of the deceased spouse's estate makes a "portability election" on the deceased spouse's estate tax return.

ANNUAL EXCLUSION GIFTS

In 2020, each person (donor) has an annual exclusion from the application of the federal gift tax of $15,000 per recipient (donee) per calendar year. Note that this amount is also 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 gift tax exclusion. 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 during life 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.

CURRENT EXEMPTION MAY BE TEMPORARY

The Tax Cuts and Jobs Act of 2017 (the "Act") effectively doubled the federal estate and gift tax exclusion, increasing it from $5,490,000 in 2017 to $11,180,000 in 2018. However, after December 31, 2025, the exclusion is set to revert to the pre-Act level ($5,000,000, adjusted for inflation), so unless further legislative action is taken, taxpayers have a limited window to use the increased exclusion amount.

STATE ESTATE TAX

In addition to the federal estate tax, certain states impose a state estate tax on residents as well as non-residents who own property in the state. The states that impose estate taxes are: Connecticut, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont and Washington. The District of Columbia also imposes an estate tax. Most states that impose an estate tax do not impose a gift tax, which can make lifetime giving strategies even more advantageous.

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.