

## Estate Planning and EGTRRA

### Summary of EGTRRA

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), provides a gradual decrease of marginal transfer tax rates, a gradual increase of the estate and generation skipping transfer tax (GST) exemption amount and a temporary repeal of the estate and GST tax on January 1, 2010. Come 2011, EGTRRA sunsets reinstating the exemption amounts that were in effect prior to 2001. Congress continues to discuss and consider legislation that, if passed, would permanently repeal or otherwise lessen the impact of the federal estate tax.

**Estate, GST and Gift Tax Rates.** EGTRRA gradually reduces the highest marginal transfer tax rates until the beginning of year 2011. The highest estate tax and GST tax rates gradually decrease until year 2010 when both taxes are temporarily repealed. The highest gift tax rate gradually decreases until it reaches 35% in 2010. In 2011, EGTRRA sunsets and the transfer tax rates return to 55%.

<u>Calendar Year</u>	<u>Highest Estate and GST Tax Rates</u>	<u>Highest Gift Tax Rates</u>
2008	45%	45%
<b>2009</b>	<b>45%</b>	<b>45%</b>
2010	Repealed	35%
2011	55%	55%

**Estate and GST tax exemption equivalent for transfers at death.** EGTRRA gradually reduces the highest marginal transfer tax rates until the beginning of year 2011. The highest estate tax and GST tax rates gradually decrease until year 2010 when both taxes are temporarily repealed. The highest gift tax rate gradually decreases until it reaches 35% in 2010. In 2011, EGTRRA sunsets and the transfer tax rates return to 55%

EGTRRA increases the amount a taxpayer can pass at death (reduced by the amount transferred during life) free of estate and GST tax with a temporary repeal in 2010. In 2011, EGTRRA sunsets and the estate tax exemption drops down to \$1,000,000.

<u>Calendar Year</u>	<u>Estate &amp; GST Tax Exemption for Transfers at Death</u>
2008	\$2,000,000
<b>2009</b>	<b>\$3,500,000</b>
2010	Taxes Repealed
2011 & thereafter	\$1,000,000

**Lifetime gift exemption equivalent.** EGTRRA provides a \$1,000,000 lifetime gift exemption amount. This allows taxpayers to transfer a \$1,000,000 during his/her lifetime worth of assets during life without incurring gift tax liability.

**Estate and GST tax repeal for taxpayers dying in 2010.** EGTRRA provides for the temporary repeal of the estate and GST tax as of January 1, 2010. On January 1 2011, EGTRRA sunsets and the estate and GST tax will be fully reinstated with the rules that were in effect in 2001. Congress continues to discuss and consider legislation that, if passed, would permanently repeal or otherwise lessen the impact of the federal estate tax.

**Repeal of the step-up in income tax basis regime in exchange for a carry-over in income tax basis regime for transfers at death.** EGTRRA repeals the step-up in income tax basis regime in exchange for a carry-over in income tax basis regime for taxpayers transferring property at death during year 2010. There is an exception allowing a total basis increase of up to \$1,300,000 and an additional basis increase of up to \$3,000,000 for transfers to a surviving spouse.