

A NEW YEAR BRINGS NEW TAX EXEMPTIONS – A BRIEF LOOK AT 2014 FEDERAL ESTATE, GIFT AND WEALTH TRANSFER TAX EXEMPTIONS

The new year brings with it some changes and adjustments to the Federal estate, gift and wealth transfer tax exemptions. The changes enacted in January 2013, in the American Taxpayer Relief Act of 2012 permanently established the estate, gift, and generation-skipping transfer (GST) tax rates and exemptions and indexed some of the exemptions to inflation. The following table summarizes some of the exemptions.

<u>Year</u>	<u>Estate Tax Exemption</u>	<u>Estate/Gift Top Tax Rate</u>	<u>Gift Tax Exemption</u>	<u>Generation Skipping Transfer Tax Exemption</u>
2014	\$5,340,000	40%	\$5,340,000	\$5,340,000

WHAT ARE THE FEDERAL ESTATE TAX EXEMPTION AND RATE FOR 2014?

- The highest estate tax rate in 2014 is 40 percent.
- The estate tax exemption for individuals who die in 2014 is \$5,340,000.
- This is the amount that is excluded from calculating the amount of estate taxes owed at the federal level.

WHAT IS THE FEDERAL ANNUAL GIFT TAX EXCLUSION AMOUNT FOR 2014?

- The 2014 gift tax annual exclusion for individuals is \$14,000 per gift.
- The annual gift tax exclusion is the amount that can be given away by an individual in any given year to an unlimited number of people free from any federal gift tax consequences at all.

WHAT IS THE FEDERAL LIFETIME GIFT TAX EXEMPTION AMOUNT FOR 2014?

- The lifetime gift tax exemption for individuals who make gifts in 2014 is \$5,340,000.
- The lifetime gift tax exemption amount is the total amount that can be given away by an individual over his or her lifetime to any number of people. The transfers will be free from gift taxes, but the amount gifted will reduce the amount that can be given away at death without estate taxes.

WHAT IS THE FEDERAL GENERATION-SKIPPING TRANSFER (GST) TAX EXEMPTION AMOUNT FOR 2014?

- The generation-skipping transfer tax exemption for individuals in 2014 is \$5,340,000.
- This is the amount that can be directly transferred to grandchildren or into a generation skipping trust for the benefit of children without incurring a Federal Generation-Skipping Transfer Taxes.

DOES PORTABILITY OF THE ESTATE TAX EXEMPTION STILL EXIST?

Portability of your estate tax exemption amount to your surviving spouse remains in place. Any estate tax exemption not used by the first spouse to die is available for use by the surviving spouse for estate tax purposes.

HOW DO THESE AMOUNTS AND RATES IMPACT YOUR ESTATE PLAN?

For those with existing plans, the rise in the exemption since 2001 and the continued increase in the exemption due to inflation adjustments may cause your assets to be transferred in a manner that was not intended when you designed and executed your documents.

The estate tax exemption and the generation skipping transfer tax exemption amounts have increased from \$600,000 in 1987 to \$5,340,000 today.

The estate plan design for a couple regularly includes that each spouse take full advantage of his or her federal estate tax exemption, by having the first spouse to die leave his or her assets to a trust for the benefit of the survivor and often their children. These trusts are often called Credit Trusts or Family Trusts. If your current estate plan is designed to direct assets into a trust to use your exemption amount, you may wish to revise or remove that part of your plan, if federal estate taxes are no longer an issue.

If you would like to have your estate plan reviewed in light of these new exemption amounts, or if you would like any further advice on wealth transfer planning, please contact Sean Fahey at 317-633-4884 or sfahey@hallrender.com or your regular Hall Render attorney.

To learn more about Hall Render's estate planning practice, please click [here](#).