

ESTATE, GIFT AND GST TAX CHANGES EXPIRE AT END OF 2012

The tax laws in place for the rest of 2012 are the most favorable they have ever been for individuals to make gifts to their loved ones without paying any gift tax. These laws allow individuals to gift \$5,120,000 to children, grandchildren and other relatives in 2012.

If Congress does not act to extend the current law, then on January 1, 2013, the estate and gift tax exemptions will automatically drop to \$1 million per donor, and the generation-skipping transfer ("GST") tax exemption will automatically drop to \$1.4 million per donor.

YEAR	ESTATE TAX EXEMPTION	ESTATE/GIFT TOP TAX RATE	GIFT TAX EXEMPTION	GENERATION-SKIPPING TRANSFER TAX EXEMPTION
2012	\$5,120,000	35%	\$5,120,000	\$5,120,000
2013	\$1,000,000	55%	\$1,000,000	\$1,400,000

Even if Congress takes steps to change the law for 2013, the new laws may not be as favorable as they are now. There is a possibility that the available gift tax exemption in 2013 will be much lower than its current level. On February 13, 2012, President Obama released his budget proposal for 2013, which included the following:

YEAR	ESTATE TAX EXEMPTION	ESTATE/GIFT/GST TOP TAX RATE	GIFT TAX EXEMPTION	GENERATION-SKIPPING TRANSFER TAX EXEMPTION
2013	\$3,500,000	45%	\$1,000,000	\$3,500,000

If you have assets that, if given away this year, would not affect your lifestyle, we encourage you to consider making large gifts to your family members by December 31, 2012. By making gifts in 2012, you will shelter assets from Federal gift, estate and GST taxes.

There are a variety of techniques that you have available to make gifts and utilize the existing tax structure to minimize the overall impact of taxes on your estate, while carrying out your family and financial goals. If you are uncertain about making large gifts, there are estate planning techniques that, to a limited extent, allow you to give it away while retaining some economic benefit, and we can explore the relevance of those techniques to your situation.

For more information and to explore whether to make a gift in 2012, please contact one of our estate planning attorneys at 317-633-4884.

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