

The Latest On Possible Estate Planning Law Changes: What You Need to Know

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In April of this year we highlighted proposed federal legislation (S.994 -“For the 99.5% Act”) that would dramatically change the estate planning landscape for wealthy American families. Some of these proposed estate tax law changes have now worked their way through the House Ways and Means Committee and have just been released. As previously suggested, these provisions could become law as part of a Budget Reconciliation bill passing the House and receiving 50 Democratic votes in the Senate (plus the vote of Vice President Kamala Harris).

Here are some of the changes proposed by the House Ways and Means Committee:

- **Estate and Gift Exemptions Reverting to 2010 Levels:** The current estate and gift exemption of \$11.7MM per taxpayer (\$23.4MM for a married couple) would revert to 2010 levels (\$5MM per taxpayer, indexed for inflation).
- **Irrevocable Grantor Trusts Pulled Back into the Grantor’s Estate:** Trusts of which the grantor is the deemed owner for income tax purposes will be pulled back into the grantor’s estate at death. This will eliminate a powerful estate planning technique used by families over decades to move wealth out of their taxable estates. This change will apply to trusts created or funded after the legislation is enacted.
- **Sales to Grantor Trusts Abolished:** In a change not anticipated, sales to grantor trusts – once a favored way to shift future growth in the value of appreciating assets out of a grantor’s estate – will now be treated as taxable transactions. This change will also apply to trusts created or funded after the effective date of the legislation.
- **Valuation Discounts:** Transfers of “non-business assets” will no longer be eligible for valuation discounts. Non-business assets are passive assets that are held for the production of income and not used in the active conduct of a trade or business. This change will apply to transfers made after the law is enacted.

Of course, it remains to be seen whether these proposed changes will become law. It is worth noting that these changes represent only a few pages of a much larger legislative proposal that runs more than 800 pages. Anything can happen, but one suspects that, in much of the debate moving forward, Democrats may focus on more high-profile issues such as capital gains taxes. We believe this makes it more likely that these estate and gift tax changes will become law.

Let Us Help You Navigate These Changes

As legislation evolves, please know our planning specialists are available to answer any questions you may have. They have extensive experience helping clients implement advanced wealth transfer solutions to achieve their estate planning goals and mitigate taxes. Contact us at your convenience.



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