

CHANGES TO THE ESTATE TAX LAWS: WHAT YOU NEED TO KNOW

For most people, the big news of the tax bill signed by President Obama on December 17, 2010 (the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010) was its effect on personal income tax rates. But along with changes to the income tax brackets, major changes to estate tax, gift tax, and generation skipping transfer tax were also enacted.

Rather than wade through all the hoopla, what do you need to know?

1. Unless your assets total to more than \$5,000,000 (or \$10,000,000 for you and your spouse combined), you should not be at risk for FEDERAL ESTATE tax.

Each person can pass a certain amount of assets on their death without paying any federal estate tax, called a federal estate tax exemption. The new law gives each person a \$5,000,000 exemption, meaning that they can pass \$5,000,000 worth of assets upon their death federal estate tax-free. If you and your spouse have more than \$5,000,000 combined, you will want to structure your estate plan to take advantage of this \$5,000,000 exemption.

2. You can now give up to \$5,000,000 to others while you are alive, without paying FEDERAL GIFT tax.

Prior to this act, each person could give up to \$1,000,000 during their lifetime without paying gift tax. That limit has been increased to \$5,000,000. This opens up opportunities for making large gifts during a lifetime. Making large gifts does impact your federal estate tax exemption, so be sure to plan your gifts wisely.

3. If your estate value isn't in the \$5,000,000+ range, you still need to think about OREGON INHERITANCE tax.

The tax act affected only federal estate tax, but Oregon has a state inheritance tax too. It works generally the same way the federal tax does, but the Oregon per person exemption amount is just \$1,000,000 per person. If your estate is over \$1,000,000 you should be sure to carefully plan your estate to take advantage of your exemption, and to look into ways to reduce your estate below the exemption amount.

Careful planning of your estate not only helps to reduce your federal estate tax and Oregon inheritance tax exposure, but it also ensures that your wishes are carried out after you've gone. In addition, it may make sense to transfer assets during your lifetime to reduce tax exposure and to allow others to take advantage of gifts during your lifetime. For further information, please contact Barry Rubenstein or Sarah C. Subias at Watkinson Laird Rubenstein Baldwin & Burgess, P.C., at (541) 484-2277 in Eugene, (541) 673-5528 in Roseburg, and (541) 923-8767 in Redmond.

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