

President Obama Announces Estate Tax Deal With Republicans

A few days after Sen. Max Baucus introduced legislation that would set the federal estate tax personal exemption amount at \$3.5 million, President Obama announced a deal with Republicans that sets the exemption amount at \$5 million. This would allow a married couple with the proper estate planning to pass \$10 million to their heirs tax free. The deal would also set the estate tax rate at 35%. Although an agreement has been announced, no legislation has been introduced or passed.

The agreement on estate taxes is temporary, it sets the \$5 million exemption amount and 35% tax rate for the next two years. The estate tax would revert to a \$1 million exemption and 55% rate in 2013 without further legislation. Therefore, this deal unfortunately fails to provide the long term certainty that planners have been seeking.

In addition to providing a two-year estate tax fix, the agreement between President Obama and Republicans also extends the Bush era income tax cuts for two years, extends the 15% top rate on capital gains and dividends for two years, and extends unemployment benefits for 13 weeks.

As always, if you have any questions or concerns about Wealth Preservation, Estate Planning, or Estate and Gift Taxes, please contact the Wealth Preservation attorneys at Robison, Curphey & O'Connell:

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