

# ***The "Daily Plan-It"™***

*Davis Schilken, PC*

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## ***Stay Tuned: White House Strikes Deal with GOP on Federal Estate Tax***

I know that I've focused on the return of the Federal Estate Tax several times in recent articles. However, bear with me at least once more.

After months of inaction, lawmakers have finally given us an indication of what may happen next.

Under current law, the estate tax lapsed for 2010, which provided a savings opportunity for families of the super wealthy, such as late New York Yankees owner George Steinbrenner. His heirs saved a reported \$500 million on his 2010 estate tax bill.

The levy was set to return next year at an assessment rate of 55%, with a \$1 million exemption for individuals and a \$2 million exemption for married couples. Many experts feared its return at those figures would drastically reduce job creation and spending by wealthy entrepreneurs and their families.

### **Obama Compromises with Republicans**

This week, President Barack Obama reached a deal with Republican congressional leaders to extend the Bush-era tax cuts for two years, reduce payroll taxes for one year and set the Federal Estate Tax at 35% for two years. This includes a \$5 million dollar exemption for individuals and \$10 million exemption for married couples.

The President said that he sees the extension as necessary to help in the creation of jobs, but he insists it will be temporary.

In reaching the deal, the President sidestepped the demands of many in his own party to curb tax cuts for the wealthy. Several key Democrats have expressed disappointment in the President's agreement and vowed to oppose the deal by blocking the proposed legislation.

### **What This Means for Clients**

If the President's proposed package passes, this new agreement would be a boon to clients whose estates were at risk of huge tax burdens in 2011 under the current law.

Now is a good time to audit your client's assets and review their planning documents. You may find that

some of them will need updated documents or a change in tax protection strategies.

For advisors, this is a crucial time of the year. Clients may be confused by all the news coming out of Washington D.C. regarding the estate tax. It's our job to help find the best planning options available to them to protect the legacies they've built for their families.

### **Democrats Have Next Move**

We'll have to wait and see how cooperative the Democrats will be with Obama's new deal. If things go the way Republicans want, there will be little or no changes to the final deal when it is presented as legislation. My bet is that Democrats may bristle now for the cameras but that they will eventually fall into line with the President.

As always, I hope this article has helped you and your clients. If you have a specific case or concern, please call our office.

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