

# ***The "Daily Plan-It"™***

*Davis Schilken, PC*

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## ***Is the 'Super Committee' Failure a Great Opportunity to Market to Your Clients?***

The failure of Congress's "super committee" to agree on a plan to address the nation's money problems points out that your clients shouldn't expect any real action out of Washington that will address tax issues until after next year's election.

This wasn't a surprise. *The Wall Street Journal* recently reported that this will be the **third year in a row** that taxpayers will head into December with the nation's major tax-code issues still unaddressed (<http://tinyurl.com/7abmq4x>).

Unless something happens in the economy to get Congress to act, the federal estate tax is set to return to 2001 rules, with a \$1 million exemption per individual and a tax assessment rate of 55% (*\$2 million for married couples*).

That's a big change from current law, which provides a \$5 million exemption per individual (*\$10 million per married couple*) and an assessment rate of 35%.

### **Strategies Your Clients Can Use Now**

Your clients are no doubt confused. If you listen to the media pundits, they are befuddled as well. So, this is a great time to educate your clients on how the super committee failure can still provide opportunities.

Taxpayers can take advantage of the current gift tax provisions which allow you to give anyone \$13,000 per year without incurring the gift tax. This can be a great strategy to transfer wealth down from a client to his heirs and lessen that client's estate tax burden.

The WSJ article also suggested making **charitable gifts** now before the Pease limit, which disallows 3 percent of itemized deductions for upper-income taxpayers, is scheduled to return in 2013.

Your clients can consider giving away appreciated assets—such as shares of stock—rather than cash, since the donor can avoid the capital gains tax and can get a full deduction of the gift's value.

Clients may also consider an **IRA charitable donation**. Congress extended this provision through 2011, but it will lapse in 2012 unless lawmakers act. Clients over 70½ may contribute up to \$100,000 of IRA assets into one or more qualified charities. There is no deduction, but the gift is excluded from income.

## **Check Investments, Retirement, Business Assets**

There is no clarity as to what 2013's rates will be on capital gains, interest and dividends. But the current top rate of 15% on long-term gains and dividends is at a historic low. A 3.8% tax on net investment income will take effect next year for many joint filers with adjusted gross incomes of \$250,000 or more (*or \$200,000 for single filers*).

Also, if you are discussing **Roth IRA Conversions** with clients, you can remind them that the conversions must be complete by year's end to count for 2011.

We'll continue to keep an eye on Congress and pass along any vital information that might help you and your clients. As always, if you have a specific case or concern, please contact our office.

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