

Federal Estate Tax Repeal

Although the House of Representatives passed H.R. 4154 to permanently extend the 2009 estate tax system (\$3.5 million exemption, 45% rate) on December 3, 2009, the US Senate failed to act before the end of the year. Therefore according to EGTRRA passed in 2001, the federal estate tax and the federal generation-skipping transfer tax have been repealed effective January 1, 2010. The federal gift tax is not affected by the repeal; therefore, it remains with a \$1 million dollar exemption.

In place of the estate tax is a new capital gains tax on inherited property when it is sold with certain basis adjustments.

On January 1, 2011, the federal estate tax and federal GST tax will be reinstated with an exemption of \$1 million and a top tax bracket of 55%.

The current Massachusetts estate tax remains in effect (\$1 million exemption).

During this time of uncertainty, it would be prudent to review your estate plan and documents. Please contact our office if you have any questions or would like further guidance in this area