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January 2013 Tax Alert

Dear Clients:

As part of our ongoing tax watch service, we are informing you of some important changes in the tax law that have recently been enacted by Congress and which are effective immediately. Those provisions which will have the greatest impact upon your estate plan are as follows:

* The Federal Estate, Gift and Generation Skipping Tax Exemption of \$5,000,000 as indexed for inflation, has been made permanent. In 2013, this exemption will be \$5,250,000. Individuals can now gift up to \$5,250,000 during their lifetimes (\$10,500,000 for a married couple) or leave that amount to their heirs tax free at death.

* The Federal Estate, Gift and Generation Skipping Tax Rate for transfers in excess of the exemption has been increased from 35% to 40%.

* Portability, which allows an executor to transfer any unused Estate, Gift or Generation Skipping Tax Exemption to a surviving spouse, has also been made permanent, although a federal estate tax return is required to be filed for the deceased spouse in the event of death. Portability remains unavailable for purposes of the State Estate Tax Exemption.

The opportunity now exists to make larger gifts than were permissible in the past without triggering a gift tax. There are a number of planning techniques, such as Grantor Trusts and Family Partnerships, which can enhance the value of the gifts that you do make.

As a result of the increased exemptions, a "credit shelter" or "family" trust may or may not still be appropriate for you. The impact of state estate taxes for those individuals residing in States such as New York, New Jersey and Connecticut will be greater than in the past as a result of the utilization of the credit shelter trust.

The aforementioned changes should lead to a reexamination of your estate plan in order to ascertain how you can best benefit from them. As always, we offer a no obligation consultation to discuss these matters with you. Simply call our office and arrange for an appointment.