

**BRIEF SUMMARY OF
CURRENT STATUS OF ESTATE TAX
UNDER THE TAX RELIEF RECONCILIATION ACT OF 2001**

Well, here we are well past midway in President Bush's 10 year tax cut, which runs through 2010, and it is still unclear what Congress intends to do with the Estate Tax come 2011. The plan for the full ten year period looks like this:

| <u>YEAR</u> | <u>TOP ESTATE AND GIFT TAX RATE</u> | <u>INDIVIDUAL EXEMPTION AMOUNT</u> |
|----------------|-------------------------------------|------------------------------------|
| 2002 | 50% | \$1 MILLION |
| 2003 | 49% | \$1 MILLION |
| 2004 | 48% | \$1.5 MILLION |
| 2005 | 47% | \$1.5 MILLION |
| 2006 | 46% | \$2 MILLION |
| 2007 | 45% | \$2 MILLION |
| 2008 | 45% | \$2 MILLION |
| 2009 | 45% | \$3.5 MILLION |
| 2010 | REPEALED (Maybe)* | N/A (taxes repealed) |
| 2011 and after | 55% | \$1 MILLION |

*It may have sounded good to the politicians in 2001 to be able to say to their constituents that they had "repealed" the tax, but the reality is that the so called repeal in 2010 will probably create more problems for the estate of anyone having a taxable estate who dies in that year than the benefit received from the repeal. The general consensus seems to be that congress will certainly have to do something to revise the law for the years 2010 and following.

In the meantime, the increase of the exemption amount over the first 8 years has been extremely beneficial to middle class America and it is hoped that Congress will see the benefit in extending the relief for the years following 2009.

If you are not familiar with the way this works, right now a married couple, combining their individual exemption amounts, with proper estate planning, can pass up to \$4 Million to their heirs and beneficiaries without incurring any federal estate tax liability. That total amount will be \$7 Million come the year 2009. However, if Congress does nothing, come 2011 and thereafter, the total amount reduces to \$2 Million per couple (\$1 Million per individual tax payer).

If you are so inclined, now's the time to contact your individual Senators and Representatives to urge them to get to work on a new bill.