

GILMORE REES & CARLSON PC

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Update: Federal Transfer Taxes and Fiscal Cliff Legislation

We wanted to take this opportunity to update you about recent changes in the federal estate, gift and generation-skipping transfer tax laws. As you may be aware, during the first week of January, as part of the “fiscal cliff” negotiations, Congress finally addressed the unfavorable transfer tax laws that were to take effect in 2013. Absent Congressional action, the estate and gift tax exemptions would have been reduced from \$5.12 million to \$1 million (the generation-skipping tax exemption would have been slightly higher), the lowest in over ten years.

Instead, Congress essentially extended the law that was in effect in 2011 and 2012. The estate, gift, and generation-skipping transfer tax exemption amounts (i.e., those amounts that can be transferred without payment of tax) will all remain at \$5.12 million, indexed for inflation (with the current exemption amount being \$5.25 million). The only substantive difference from the 2012 law is that the maximum transfer tax rate will now be 40%, up from 35%. The new law made these changes “permanent”. This does not, of course, mean that they cannot be changed in the future, but it does mean that they will not automatically “sunset” and default back to less favorable exemptions (as was the case with past changes to the transfer tax laws).

While this is certainly encouraging news, it is important to realize that this law applies only to the *federal* estate tax. There are still separate state estate taxes, each with a much lower threshold for what qualifies as a taxable estate than under federal law. In Massachusetts and Rhode Island, the current thresholds are \$1,000,000 and \$910,725, respectively. These thresholds include your home, retirement accounts, and life insurance proceeds. Thus, a \$5 million estate would not be taxable at the federal level, but would generate a Massachusetts or Rhode Island estate tax of over \$390,000. These taxes, however, can be minimized with proper planning.

In light of the foregoing, it is still imperative, for both tax and non-tax reasons (including planning for disposition of your assets, creditor protection, and business succession planning), to make sure that your estate plan is up to date. If the issues discussed above are of interest to you, or if you would just like to review your plan or discuss your estate planning needs in general, please do not hesitate to contact us.



Real Estate Rebound

The real estate market is experiencing a meaningful rebound; purchases and sales of both commercial and residential real estate are on the rise! Don't forget to protect your interests when selling or buying by retaining a qualified real estate attorney.

The real estate attorneys at Gilmore, Rees and Carlson, P.C. are proud to say that they have assisted our clients in closing over \$15,000,000 in transactions in the fourth quarter of 2012.

Gilmore, Rees and Carlson's real estate attorneys are ready to serve your needs.



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One of the largest estate planning firms in New England, our attorneys have been recognized for their exceptional experience in the field. The firm carries the highest professional rating in the national Martindale-Hubbell Law Directory and is listed in the Bar Register of Preeminent Lawyers. Many individual attorneys are listed in the Best Lawyers in America and New England, Massachusetts and Rhode Island Super Lawyer lists.

Please feel free to contact the firm if you would like to discuss the matters highlighted in this newsletter, or any other legal matters.

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