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HOW THE NEW TAX LAW WILL AFFECT YOUR FAMILY

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For the past couple of years, Estate Planning attorneys and their clients have been struggling to make proper plans, without knowing the future status of the federal estate tax. Congress and President Obama could have eliminated it entirely, or reduced the threshold to \$1 million, or could have put it somewhere in between. On December 17th, the President signed the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* and we now know what will happen, at least for the next two years.

The new tax legislation in effect provides that the first \$5 million of an individual's estate will not be taxed upon his or her death. Also, a married couple with proper planning now can protect up to \$10 million from the estate tax. Consequently, many people who have two trusts established for tax planning may not need them now. Also, those with large estates should review the funding of their trusts to insure that they will receive the best estate tax results.

The estate tax was not the only tax addressed by the recent law. While federal income tax rates will remain the same in 2011 as they were in 2010, workers will see a 2% reduction in what is withheld from their wages for Social Security taxes for 2011. This is a one year reduction which in essence amounts to a 2% raise for each of us for 2011. Finally, the American Opportunity tax credit has been continued for 2011 and 2012. This credit can be worth up to \$2,500.00 for those paying college tuition.

So, Merry belated Christmas to you from the federal government. Yes, it put this gift on credit and will need to figure out how to pay for it later, but that seems to be the American way.