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SOME GUYS HAVE ALL THE LUCK

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October 2010

Lucky millionaires and billionaires fortunate enough to die in 2010 have the joy of passing their vast fortunes to their heirs without paying Uncle Sam a single dime. That's right, not one thin dime. The reason? There is no federal estate tax in 2010, at least until Congress changes the law. Last year the estate tax was roughly 45% of estates over \$3,500,000.00. Next year it will be 55% for estates over \$1,000,000.00.

This quirk in the law can result in some very generous benefits. Take George Steinbrenner, the owner of the New York Yankees. Mr. Steinbrenner died earlier this year with an estate estimated at a little over a billion dollars; that's \$1,000,000,000.00. Last year a billion dollar estate would have paid around \$448 million in taxes. Next year a billion dollar estate will pay \$549 million. This assumes, of course, no other estate planning techniques are used.

However, with a husband and wife, we can usually double the amount not subject to taxation, *with proper planning*. So, if the amount exempt from tax is \$3,500,000.00 we can avoid estate tax on \$7,000,000.00; that means savings of \$1,575,000.00 at a 45% tax rate and 1,925,000.00 at a 55% tax rate. If the amount exempt from tax is \$1,000,000.00 the savings are \$450,000.00 and \$550,000.00 respectively. The savings are definitely worth doing a little planning.

Unfortunately, we do not know what Congress is going to do, if anything, before the end of the year. If it does nothing the amount exempt from tax in 2011 will be \$1,000,000.00. However, most people paying attention to this situation believe that Congress will exempt between \$3,500,000.00 and \$5,000,000.00 from the estate tax. Once we know what the tax rules are we can more effectively plan for the transfer of your estates. Keep your ears open and assess your situation once Congress acts.