

November 2011
Ask a Trust Officer

Estate tax filings

Dear Trust Officer:

I don't have \$5 million. I don't need to worry any more about estate taxes, do I?—*Not in the 1%*

Dear Not in the 1%:

Provided that you die in 2011 or 2012, no, you won't have to worry about federal estate tax if your estate comes to less than \$5 million. However, if you expect to live to 2013 or beyond, there is a possibility that your estate could owe federal estate taxes if it is larger than \$1 million. That's what the law provides today, though many observers think that the Congress will revisit that threshold before 2013.

Federal estate tax filings fell 50% in 2010, the IRS reported. The drop was attributed to the increase in the exemption from \$2 million to \$3.5 million in 2009, as most estate tax returns are filed in the year after the decedent's death. The number of estates above the \$3.5 million threshold in 2010 was 11,884, compared to 9,440 in 2001 and 14,380 in 2009. In 2001, when the filing threshold was just \$675,000, there were 108,071 federal estate tax returns filed.

Should the federal exemption fall to \$1 million, no doubt tens of thousands of estates will owe tax. The President has proposed an intermediate exemption, \$3.5 million, as we had in 2009.

If you live in one of the minority of states that still imposes a death tax (whether inheritance tax, estate tax, or both), you should keep in mind that such state taxes usually have much lower exemptions than the federal tax.

Do you have a question concerning wealth management or trusts? Send your inquiry to trustofficer@bankname.com.

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