



Family Wealth Consulting

BDO Seidman, LLP
Accountants and Consultants

ISSUE:

Changes in the Federal and State Estate, Gift and Generation-Skipping Transfer Tax Laws

DATE:

December, 2003

AFFECTING:

All high net worth individuals with a net estate over \$1 million

DETAILS:

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) changed various aspects of the estate tax, including a gradual increase in the lifetime federal estate tax exemption. The exemption will increase in 2004 to \$1,500,000. This increasing exemption, combined with the phase out of the state death tax credit, has caused some states to "decouple" from the Federal Estate Tax Structure. Decoupling refers to the fact that states that had previously imposed an estate tax based on the federal system may now be implementing their own estate tax. These changes warrant a review of all estate plans to avoid unintended results. With the increasing exemption, many estates will, by default, wind up passing the bulk of assets to the "credit shelter trust" (typically a trust for children), as opposed to a marital trust (a trust for the surviving spouse).

RECOMMENDED ACTION:

The increase in the exemption and the phase out of the state death tax credit are just two of the changes that have been enacted since 2001. In light of these changes, as well as other state and federal changes, all estate plans should be reviewed to determine the impact on the individual plan.

HOW BDO CAN HELP:

Our Family Wealth Consulting professionals can assist you in

- (1) evaluating the extent to which your current plan is affected, and
- (2) making the appropriate elections and analysis to avoid adverse tax consequences.

Material Discussed in this newsletter is meant to provide general information and should not be acted on without obtaining professional advice tailored to your individual needs

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BDO Seidman's Family Wealth Consulting Practice has a long tradition of helping middle market owners and managers as well as families achieve their financial goals.

FOR MORE INFORMATION

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