



Estate and Gift Tax Alert

Rumored Reduction of Federal Gift Tax Exemption

November 9, 2011

November 23, 2011 is the deadline for the Joint Select Committee on Deficit Reduction (the so-called “Super Committee”) to announce its legislative proposals to reduce the deficit. As the deadline approaches, rumors abound that current Federal estate, gift and generation-skipping transfer tax laws are being targeted and that a proposed return to the pre-2010 wealth transfer tax regime is under consideration.

One element of the rumored proposal involves the reduction earlier than scheduled of the Federal gift tax exemption. Under current law, the exemption available for gifts in 2011 and 2012 is \$5 million per individual donor (\$10 million for a married couple who elect to split gifts), and the exemption is scheduled to revert to \$1 million (\$2 million for a gift-splitting married couple) on January 1, 2013. We have previously encouraged clients to take advantage of the two-year window of opportunity to make gifts in 2011 and 2012 up to the maximum amount of available gift tax exemption. There is now widespread speculation that the Super Committee may accelerate the effective date of the reduction to January 1, 2012 or even earlier to the announcement date, November 23, 2011.

We emphasize that no details have been officially released and there is nothing concrete at this time regarding the extent or effective date of any change to the Federal gift tax exemption. Nevertheless, in light of the rumored proposal, if you have been considering making gifts equal to part or all of the increased gift tax exemption, you may wish to do so in the next few weeks before the opportunity might be lost.

Our firm’s law and public policy group will continue to monitor the Super Committee carefully as November 23 approaches. We will keep you apprised as more substantial information becomes available.

CONTACT INFORMATION

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