September 17, 2021

Estate Planning Update September 2021 - Proposed Legislation May Affect Gifting Plans

On September 12, acting under budget reconciliation instructions issued in August, the House Ways and Means Committee published proposed changes to federal tax law intended to raise revenue to fund the current administration's spending priorities. Among these proposals are changes that could eliminate some strategies currently used to shift wealth to intended beneficiaries with as little tax impact as possible. Not surprisingly, the proposal includes a reduction of the current $11.7 million federal lifetime exemption by roughly 50 percent, effective after December 31, 2021. Other aspects of the proposal could become effective for transactions occurring after September 13, 2021, or on the date the legislation is passed, while others could become effective at the beginning of 2022. As proposed, trusts that exist and are funded as of the date that the legislation takes effect may be "grandfathered," or unaffected by the changes. With the Senate back in session now and the House returning in a matter of days, legislative changes could occur soon. Of course, none of us can predict what the ultimate law might provide or when it will become effective, and we should expect many changes before legislation is finalized. At a minimum, we know from this latest activity that change is on the way.

Q. What does this mean for estate planning?

A. If you are in the process of implementing gifting strategies but have not yet finalized the plan, make completion of the plan a priority. If you plan on making gifts to new or existing trusts, work expeditiously to effectuate the transfers. If you have been discussing strategies with your estate planning attorney, but have not yet begun the process, time may be running short, so we encourage you to refresh the discussion now.

Any questions or concerns regarding the recent tax law changes proposed by the House Ways and Means Committee should be discussed with your Day Pitney estate planning attorney.