

September 30, 2020

Time Running Out for End of Year Planning

If there is a change in control in Washington following the November election, there will likely be significant changes to the estate and gift tax systems based on Mr. Biden's published tax policy proposals. This is not a message in support of either candidate, or a prediction of who will win, but a recognition that if you think that change is likely, there is precious little time to fully use your available \$11.58 million exemption.

Currently, each individual has a temporary estate tax exemption of \$11.58 million that can be applied to gifts during life, or to transfers at death. This exemption is indexed for inflation in future years, but is set to expire or "sunset" at the end of 2025. The federal estate tax rate is forty percent (40%).

Biden has proposed to reduce the federal estate tax exemption to \$3.5 million, to reduce the gift tax exemption to \$1.0 million, and increase the top tax rates to forty-five percent (45%). It is likely that any law passed early in a new administration could be effective January 1, 2021. The impact of these potential changes is illustrated in the following table:

	Top Tax Rate	Estate Tax Exclusion	Gift Tax Exclusion	Potential Tax on \$11.58 Million Estate
2020 (Current)	40%	\$11,580,000	\$11,580,000	None
2021 (Proposed)	45%	\$3,500,000	\$1,000,000	\$3,531,800

Transferring property by lifetime gift may result in significant estate tax savings. Using all or a portion of the current \$11.58 million exemption now may have potential long-term tax savings for your estate.

Making gifts to an irrevocable trust is just one of the tools available. We understand many clients are hesitant to make large gifts out of concern they will need access to the funds at a later date. We have developed techniques to alleviate these concerns. Each person and family has unique needs and goals. We believe every estate plan should be customized for each client. To accomplish the steps necessary to be in a position to act after the election and before the end of the year, you must act now.

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Some people may decide to wait until after the election to decide whether to take action. And we will endeavor to help every client. However, there will be little time to act, and likely large numbers of taxpayers wanting to act. Even if the results of the election are known the next day, that leaves eight weeks to meet, review options, determine a plan, seek appraisals, and implement a plan before the end of the year. If you believe there will be a change in November and will want to act, please schedule a meeting *now* to review your options.

If you have questions about this Alert, or for a comprehensive estate plan review, please call 316.631.3131.

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“Providing peace of mind to clients through extraordinary service and result oriented solutions delivered in a timely and confidential manner.”

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