

Tax Cuts and Jobs Act: Key provisions affecting estate planning

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The Tax Cuts and Jobs Act of 2017 ("TCJA") is a sweeping revision of the tax code that alters federal law affecting individuals, businesses and estates. Focusing specifically on estate tax law, the TCJA doesn't repeal the federal gift and estate tax. It does, however, temporarily double the combined gift and estate tax exemption and the generation-skipping transfer ("GST") tax exemption.

Beginning after December 31, 2017, and before January 1, 2026, the combined gift and estate tax exemption and the GST tax exemption amounts double from an inflation-adjusted \$5 million to \$10 million. For 2018, the exemption amounts are expected to be \$11.2 million (\$22.4 million for married couples). Absent further congressional action, the exemptions will revert to their 2017 levels (adjusted for inflation) beginning January 1, 2026. The marginal tax rate for all three taxes remains at 40%.

Estate planning remains a necessity

Just because fewer families will have to worry about estate tax liability doesn't mean the end of estate planning as we know it. Nontax issues that your plan should still take into account include asset protection, guardianship of minor children, family business succession and planning for loved ones with special needs, to name just a few.

In addition, it's not clear how states will respond to the federal tax law changes. If you live in a state that imposes significant state estate taxes, many traditional estate-tax-reduction strategies will continue to be relevant.

Future estate tax law remains uncertain

Furthermore, the exemptions are scheduled to revert to their previous levels in 2026 — and there's no guarantee that lawmakers in the future won't reduce the exemption amounts even further. Please contact us with questions on how the TCJA might affect your estate plan. We'll be pleased to review your plan and recommend any necessary revisions in light of the TCJA.

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