
NEWSLETTER

SPECIAL EDITION!



DEMOCRATS RECENTLY PROPOSED TO PAY FOR TAX
EXTENDERS WITH ACCELERATED DECREASE OF ESTATE TAX
EXEMPTION

DO NOT WAIT TO MAKE GIFTS

The Tax Cuts and Jobs Act ("TCJA"), which went into effect on January 1, 2018, introduced significant changes to the tax system, including doubling the gift, estate and generation-skipping transfer ("GST") tax exemptions. These increased exemptions (for 2019, \$11,400,000 per individual) revert back to approximately half as much on December 31, 2025.

Shortly after the TCJA was passed clarity was sought as to the impact on taxpayers who utilized the higher gift exemption during their lifetime and then died in 2026 or later. This past November, the IRS issued proposed regulations that, when finalized, will remove the possibility of retroactive adjustment and recapture of additional taxes for gifts made under this scenario. While this development provided a measure of assurance to those planning under the TCJA, recent events highlight that with tax planning, there are no guarantees of absolute certainty.

It is conceivable that the increased exemptions could be lowered prior to 2025. Several presidential candidates propose to decrease the transfer tax exemptions and increase federal transfer tax rates prior to their scheduled reversion.



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Congress routinely lets tax breaks expire only to extend them at a later date (at times retroactively). The legislative process of finding and agreeing on the revenue sources to extend these provisions (often known as "tax extenders") is especially divisive when a presidential election looms. To pay for certain tax extenders, Democrats recently proposed having the TCJA transfer tax provisions expire two years earlier than currently scheduled – at the end of 2023, instead of 2025.

Although certain to fail, this proposal highlights how the transfer tax provisions of the TCJA is in the crosshairs of the Democrats and their supporters. While the historic changes in the TCJA undeniably usher in an array of planning opportunities to the most affluent of households, available planning options may be lost if action is deferred until the eleventh hour.

The planning note to take away from this somewhat political update is, simply put,

**DON'T
WAIT TO
MAKE
GIFTS!**

-Edward Becker
