



We would like to inform you about changes to the **estate and gift tax exemption** made by the massive Tax Cuts and Jobs Act (TCJA) effective beginning in 2018 that will result in many fewer estates being subject to the 40% tax, and larger estates owing less tax.

**Before the TCJA:** the first \$5 million (as adjusted for inflation in years after 2011) of transferred property was exempt from estate and gift tax. For estates of decedents dying and gifts made in 2018, this "basic exclusion amount" as adjusted for inflation would have been \$5.6 million, or \$11.2 million for a married couple with proper planning and estate administration allowing the unused portion of a deceased spouse's exclusion to be added to that of the surviving spouse (known as "portability").

**After the TCJA:** The new law temporarily doubles the amount that can be excluded from these transfer taxes. For decedents dying and gifts made from 2018 through 2025, the TCJA doubles the base estate and gift tax exemption amount from \$5 million to \$10 million. Indexing for post-2011 inflation, brings this amount to approximately \$11.2 million for 2018, and \$22.4 million per married couple, with some basic portability techniques.

A related transfer tax called the generation-skipping transfer (GST) tax is designed to prevent avoidance of estate and gift taxes by skipping transfers to the next successive generation. The TCJA doesn't specifically mention generation-skipping transfers, but since the GST exemption amount is based on the basic exclusion amount, generation-skipping transfers will also benefit from the post-2017 increased exclusion.

This increased exclusion amount may have an impact on your current estate plan and cause you to consider the need to redraft some important documents, including wills and trusts.

We hope this information helps you understand this change. Please call us if you wish to discuss how it, or any of the many other changes in the TCJA, could affect your particular tax situation, and the planning steps you might consider in response.