

# Estate Planning

## Fast Faxes

September '99

Estate, Tax and Family Wealth Preservation Planning For Advisors

### Price & Farrington

Attorneys and Counselors at Law

12501 Bellevue-Redmond Road, Suite 215

Bellevue, Washington 98005

(425) 451-3583

Email: pricefarr@aol.com

## TAXPAYER REFUND AND RELIEF BILL OF 1999

### Big Changes in Estate and Gift Taxes; Big Veto?

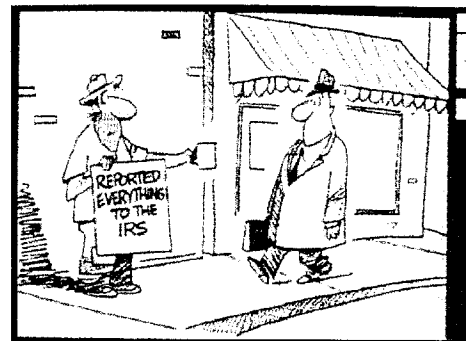
HR 2488, the Taxpayer Refund and Relief Bill of 1999, was voted out of Conference Committee and passed by the U.S. House (221 to 206) and Senate (50 to 49) on August 5. Now that Congress' summer recess-and a month of politicking-is over, the Bill will be sent to the White House, where President Clinton has threatened repeatedly to veto it.

Here is a summary of the gift and estate tax provisions in HR 2488:

- Beginning in the year 2001 all estate and gift tax rates in excess of 53% would be repealed, as would the 5% surtax on estates over \$10 million.
- *Unified Credit* would be replaced with *Unified Exemption*. Result? The first dollar above the *applicable exemption amount* (\$650,000 in 1999) would be taxed at 18% and not at 37% under current law.
- Beginning in the year 2002, all estate and gift tax rates in excess of 50% would be repealed.
- Beginning in the year 2003-and through 2006-all estate tax rates would be reduced by 1% per year.
- In the year 2007, all estate tax rates would be reduced by 1.5%.
- In the year 2008, all estate tax rates would be reduced by 2%.
- Estate Tax is repealed Jan. 1, 2009.

- Under the Sunset Provision of the Act (Section 1501), which is required to comply with the Balanced Budget Act, all changes become void and the former code, including the estate tax, is reinstated October 1, 2009!! (Section 1501: "All provisions of.. this Act which are in effect on Sept. 30, 2009, shall cease to apply as of the close of September 30, 2009.").
- Beginning in 2009 (after repeal of the estate tax), a *carry-over basis* will replace the current *stepped-up basis*. In other words, beneficiaries inheriting property transferred at death will no longer receive the date-of-death value of the property as their "basis" for capital gains tax purposes. Instead, they will receive a *carry-over basis*, or the same tax basis as the decedent, with these exceptions: (a) transfers of property up to \$3 million to a surviving spouse; and (b) estates with a total value of \$2 million or less (there is a phase-in of carry-over basis for estates valued at between \$1.3 and \$2 million).

Will all of this become law or is it merely the basis for compromise? How will the outcome affect your clients? Life insurance purchases? Charities? The planning marketplace in general? Stay tuned. ■



Allow our firm to serve as a resource for you to help strengthen your relationships and credibility with your clients. Remember that our initial consultation with your client is always complimentary.

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Contact us if you would like to learn more about arranging to have us provide a group presentation on estate planning topics of interest to your clients.

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A thought for September: "We cannot direct the wind but we can adjust our sails."

It's about time..



How much have you got?

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- ☞ Asset Protection Planning
- ☞ Family Limited Partnerships
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