

Death of the Death Taxes

Most of us want to leave to our children what we have worked hard for all our lives. The Federal Estate Tax and the Indiana Inheritance Tax have long been a concern to many of us. Recent law changes will eliminate concerns about death taxes for most of us.

Federal Estate Taxes

Changes in the Federal Estate Tax law in 2010 allowed each US Citizen to leave \$5 million to their heirs without payment of the Federal Estate Tax. This figure is indexed for inflation. This law is now permanent as of January 1, 2013, with the exception that legislation is always subject to any future changes Congress may decide to enact. The indexed inflation amount was \$5.12 million in 2012, increasing to \$5.25 million in 2013.

Additionally, married couples enjoy a concept called “portability.” This means each spouse receives a \$5.25 million exclusion for Federal Estate Tax. Generally, even though no tax will be owed at the first death, the family will need to file a Federal Estate Tax return to take advantage of both estate tax exclusions. This allows married couples to pass on up to \$10.5 million of assets free of Federal Estate Taxes. The Federal Estate Tax is now a tax on the richest of the richest Americans.

Projections show that less than 4,000 families in the entire country each year will pay Federal Estate Taxes. These few families are projected to pay taxes of \$207 billion over the next 10 years.

Federal Gift Taxes

As of January 1, 2013, the annual federal gift tax exemption increased to \$14,000. This means an individual can give any one person up to \$14,000 each year without having to file a gift tax return (my address is at the bottom of this article for your convenience). You can also give away during your lifetime—tax free—up to the federal estate exclusion amount or \$10.5 million for married couples!

Indiana Inheritance Taxes

The Indiana Inheritance Tax has historically been a small tax. This tax has been eliminated for all Hoosiers dying on or after January 1, 2013.

The Federal Estate Tax, the Federal Gift Tax, and the Indiana Inheritance Tax will now be eliminated for most Hoosiers. We encourage clients to review their existing estate plans to see if they can now be simplified because of these changes.

Respectfully Submitted,
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