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**Re: SANDERS 99.5% ACT ESTATE TAX
PROPOSAL**

Dear Clients:

In late March, Senators Sanders and Whitehouse formally proposed a bill which would make changes to the current estate and gift tax system, that has support among Democratic Senators and Congressmen.

While all the proposed changes may not be enacted and may be moderated, we recommend you consider planning now given the unpredictable political climate and the possible changes that may be made even if a watered-down version of this potent proposed law passes.

If the proposed legislation is enacted, then effective on January 1, 2022:

1. The estate tax exemption currently \$11,700,000 will be reduced to \$3,500,000.
2. The gift tax exemption allowance will be reduced to only \$1,000,000 lifetime, which means that people will not be able to make aggregate gifts of more than \$1,000,000 after 2021 without paying gift tax.
3. The estate tax rate will be increased to 45% once a deceased person's taxable estate exceeds \$3,500,000, and 50% and higher when the amount subject to tax exceeds \$10,000,000.
4. In addition to the above exemption and tax changes, gifting of up to \$15,000 per year per person will be limited to \$30,000 in total per donor per year for gifts to irrevocable trusts or of interests in certain "flow through entities".

However, the proposed legislation sooner eliminates some of the primary tools and strategies that we have used in the past to make significant transfers, beginning upon the date that President Biden signs the bill into law. If that happens, we will not be able to fund or have assets sold to Irrevocable Trusts (IDGTs) that can be disregarded for income tax purposes, and we will also not be able to use valuation discounts or Grantor Retained Annuity Trusts (GRATs) in most circumstances, although those arrangements put into place before the new law is passed will be grandfathered as long as they are not added to or altered after the law is passed, as presently written.

This is an important **call to action** for families having assets expected to exceed \$3,500,000 per person to take a serious look at their present planning situation in order to determine whether to take **immediate steps to avoid death taxes**.

In particular, clients who have irrevocable trusts may want to act without delay to extend any notes that may be owned by them to the longest period practical, and to sell assets that may go up in value, and exchange for assets that may be more suitable to be owned by these trusts, given that exchanges and changes made after a new law is passed may not be possible.

There is some concern that the proposed changes may become effective retroactively to January 1, but retroactive increases are highly unpopular and rare. Nevertheless, this concern should be taken into consideration in our planning.

If you do not have an estate tax planning structure or a plan in place to deal with this proposed legislation, then we recommend that you start now. Clients who have done this planning should consider augmenting their existing irrevocable trusts.

Best personal regards,

VIA EMAIL & U.S. MAIL

Merek S. Rubin