Alert
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Private Client Services Alert
News Concerning Recent Trust and Estates Issues

COZEN O'CONNOR

Tax Update: Big Changes in the Estate and Gift Tax Laws Require Attention

The new tax law represents the most comprehensive overhaul of the Internal Revenue Code since 1986 and includes important changes to the estate and gift tax rules that likely will have an impact on your estate plan, the state you may choose to be your residence, or your charitable giving.

We want to highlight these important changes:

1. **Annual Gift Amount Increased**. For 2018, the annual gift tax exclusion amount for gifts to individuals is increased from $14,000 to **$15,000**.
2. **Exemption Amount Doubled**. The estate and gift tax exemption amount is doubled. With adjustment for inflation, each taxpayer's exemption for 2018 will very likely be **$11,180,000** (or $22,360,000 for a married couple). We say "very likely" as the IRS is still doing the math using a different consumer price index required by the new law and we expect this to be the amount, but regardless of the precise amount, this is a change of significance.
   Note, the estate tax was NOT repealed; and this increased exemption will sunset on December 31, 2025, subject to the possibility that it could be changed again or extended by new legislation.
3. **Limitation of Deduction of State and Local Taxes**. The new law limits the deductibility of state and local income taxes for federal income tax purposes. This may make changing your tax residence to a state with lower or no income taxes of greater benefit than in the past.
4. **Charitable Giving Limitation Increased**. The income limitation for deducting cash gifts to public charities has been increased to allow a current deduction against up to 60 percent (increased from 50 percent) of adjusted gross income for the year.

For some, the increased exemption amount will allow you to simplify your existing planning; for others, it will allow you to take advantage of new gifting opportunities.

The tax law also makes other important changes to the Internal Revenue Code that could affect your estate plan, such as changes to the rules for tax-exempt organizations and the rules for payments under marital property agreements.

It is important to review your estate plan to determine how best to take advantage of the increased exemption or plan for its possible sunset, to be sure your estate plan is coordinated with ongoing changes in state inheritance tax laws, and to avoid any potential unintended consequences.

Cozen O'Connor's Private Client Services team would be happy to discuss the impact of the new tax law and review your estate planning.

Alexia M. Fishman

Vice Chair, Private Client, Trusts and Estates

afishman@cozen.com
Phone: (215) 665-4743
Fax: (215) 701-2030

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