



**S**AILE & SAILE<sup>LLP</sup>  
ATTORNEYS AT LAW

FEDERAL ESTATE & GIFT TAX

The President signed into law in June of 2001 a new (and convoluted) tax act. As indicated in the below schedule, the maximum federal estate tax rate goes down over nine years to zero in 2010; however, the maximum tax rate comes back again to 55% in 2011 and thereafter. The applicable amount excluded from estate taxation increases over 9 years to an unlimited amount in 2010; however, in 2011 and thereafter the estate tax exclusion applicable amount is reduced back down to \$1,000,000. It appears that the magic number for estate tax purposes which we can count on will be \$1,000,000.

There is a \$13,000 annual gift tax exclusion by a donor to a donee per calendar year. Even though the applicable amount for estate tax exclusion increases substantially more over the years, the lifetime applicable amount for gift tax is frozen at \$1,000,000. This means that gifts in excess of \$1,013,000 will be taxed. If any of the \$1,000,000 gift tax applicable exclusion is used during lifetime, it must be deducted from the estate tax applicable exclusion available at death.

<u>Year of Death</u>	<u>Estate Tax Applicable Exclusion</u>	<u>Maximum Estate Tax Rate</u>	<u>Gift Tax Applicable Exclusion</u>
2002	1,000,000	50%	1,000,000
2003	1,000,000	49%	1,000,000
2004	1,500,000	48%	1,000,000
2005	1,500,000	47%	1,000,000
2006	2,000,000	46%	1,000,000
2007	2,000,000	45%	1,000,000
2008	2,000,000	45%	1,000,000
2009	3,500,000	45%	1,000,000
2010	unlimited	0%	1,000,000
2011 (and thereafter)	1,000,000	55%	1,000,000

NEW IRS RULES RESTRICT WRITTEN FEDERAL TAX ADVICE FROM LAWYERS AND ACCOUNTANTS. WE INCLUDE THIS STATEMENT IN ALL OUTBOUND EMAILS BECAUSE EVEN INADVERTENT VIOLATIONS MAY BE PENALIZED. NOTHING IN THIS MESSAGE IS INTENDED TO BE USED, OR MAY BE USED, TO AVOID ANY PENALTY UNDER FEDERAL TAX LAWS. THIS MESSAGE WAS NOT WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF ANY TRANSACTION. CONTACT THE SENDER IF YOU WISH TO ENGAGE US TO PROVIDE FORMAL WRITTEN ADVICE AS TO TAX ISSUES.