

CONTACT

AKANE R. SUZUKI  
206.816.1473

CHRISTINE BROWN  
503.553.3132

TERESA R. BYERS  
206.816.1386

MICHELLE E. DELAPPE  
206.816.1403

KENNETH L. SCHUBERT, JR.  
206.816.1457



Garvey Schubert Barer  
Second & Seneca Building  
1191 Second Avenue  
18th Floor  
Seattle, WA 98101-2939  
Phone 206.464.3939  
Fax 206.464.0125

Garvey Schubert Barer  
Bank of America  
Financial Center  
121 SW Morrison Street  
11th Floor  
Portland, OR 97204-3141  
Phone 503.228.3939  
Fax 503.226.0259

## SUMMARY OF CHANGES IN FEDERAL ESTATE AND GIFT TAXES

### January 2011

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, enacted in late December, establishes a \$5-million exemption amount and flat 35% rate for estate, gift, and generation-skipping transfer taxes. The new law remains in effect for two years. Absent further legislation, the tax law as it existed before the “Bush tax cuts” in 2001 will return after December 31, 2012. The following table summarizes the changes:

Federal Taxes:		2010	2011	2012	2013
Estate Tax	Exemption amount	Choice of: (a) \$5 million or (b) no estate tax (but see income tax rules below)	\$5 million	\$5 million*	\$1 million
	Rate	Default flat 35%	flat 35%	flat 35%	41% - 55%
Gift Tax	Exemption amount	\$1 million	\$5 million	\$5 million*	\$1 million
	Rate	flat 35%	flat 35%	flat 35%	41% - 55%
Generation-Skipping Transfer Tax	Exemption amount	\$5 million	\$5 million	\$5 million*	\$1.4 million**
	Rate	0%	flat 35%	flat 35%	flat 55%
Income Tax Basis		Choice (a) under estate tax: full step-up in basis  Choice (b) under estate tax: limited step-up	Income tax basis of an inherited asset is equal to its fair market value at the time of death (“step-up” in basis).		

\* These amounts are to be adjusted for inflation.

\*\* The Generation-Skipping Transfer Tax exemption includes the approximate inflation adjustment based on a \$1-million amount as of 2001.

New Feature: Portability. A new portability provision allows a surviving spouse to use his or her last deceased spouse's unused estate tax exemption if a timely election is made. This provision is scheduled to sunset at the end of 2012.

But Beware of State Estate Tax. State estate or inheritance taxes remain in effect with the same exemption amounts and tax rates as before.

- The Washington estate tax applies to residents whose gross estates are over \$2 million, at graduated rates between 10% and 19%. Example: a \$3 million estate is taxed at 10% on the \$1-million excess over the \$2-million exemption.
- The Oregon inheritance tax applies to residents whose gross estates are over \$1 million, at graduated rates between 0.8% and 16%. Example: a \$2 million estate is taxed at up to 8% on the \$1-million excess over the \$1-million exemption.

If you would like us to review your situation and assess your opportunities in light of the changes in federal tax law, please contact us.



© 2011 Garvey Schubert Barer  
*The information presented here is intended solely for informational purposes  
and is of a general nature that cannot be regarded as legal advice.*