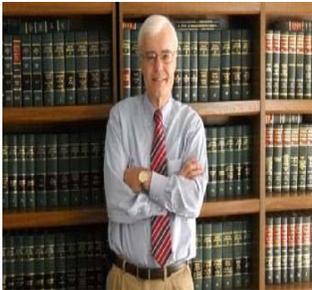


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November, 2012 Client Newsletter
Special Year End Estate Planning Alert
Large Gift Opportunity May Be Closing

Now that the election is over, we are sending this Special Year End Estate Planning Alert to our clients in case you want to make large gifts to spouses, children, or others, to try to save estate taxes. If so, the planning and the implementation need to occur before year end. First, let me give you some background concerning the problem.

Beginning January 1, 2010, the estate tax was repealed, but then reinstated on December 17, 2010, with a generous \$5,000,000 exemption that is adjusted for inflation. With the inflation adjustment, the exemption is \$5,120,000 for 2012.

For married couples, the exemption is currently portable, which means that if one spouse does not use his or her exemption, the surviving spouse may be able to use it along with the surviving spouse's own exemption, for a combined exemption of \$10,000,000. With the inflation adjustment, the combined exemption is \$10,240,000. So far, so good.

The exemption for gift tax purposes is the same as for estate tax purposes. If you use your gift tax exemption, it reduces your estate tax exemption. However, whereas the estate tax exemption is portable, the gift tax exemption is not. Still, so far, so good.

However, on January 1, 2013, the estate and gift tax exemption, along with the other Bush tax cuts, will revert back to the Clinton era taxes, unless The House, The Senate and the President can agree otherwise. This means that the exemption will also revert back to \$1,000,000 per person and will not be portable and the maximum estate tax rate will increase from 35% to 55%. Not so good.

Some commentators believe that Congress will keep the \$5,120,000/\$10,240,000 exemption amounts; others do not, and there is no guarantee as to what Congress and the President will actually do.

Many people are updating their estate planning and making large gifts or taking advantage of other planning techniques prior to year end, while the larger gift tax exemption is still available. If properly planned and implemented, the gifts may substantially reduce potential estate taxes, subject to possible "claw-back" provisions. The gifts can be up to \$5,120,000, depending upon past gifts, but can also be much less, and usually are. In most cases, when we recommend large gifts, they are no more than \$1,000,000, but are often much less. The actual recommendation depends upon the specific facts and circumstances of each case.

The planning takes time to implement and time is running out, unless The House, The Senate and the President can agree to keep a larger exemption. With the holidays, we are concerned that we will not have enough time to complete all requested work, especially if clients wait too long.

If you are interested in updating your estate planning prior to January 1st, or you simply want to explore some of the ideas to reduce estate taxes, please contact our office as soon as possible to schedule a time to meet.

Disclaimer

This newsletter is intended for the exclusive use of our clients who live in South Carolina. You have received this newsletter because, according to our file, we did estate planning work for you in the past and your primary residence is in South Carolina. If this is not correct, or we have mailed this newsletter to the wrong person, or if you have hired another attorney to take care of your estate planning work, or if you have moved out of state, or if you would otherwise like to be removed from our client mailing list, please let us know so that we can take you off of our client mailing list and/or move you to the proper list.