# <u>CHANGES IN ESTATE TAXES</u>

**By Kevin Lanigan, Carlson Estate Planning**

On December 17, 2010, Congress approved and President Obama signed into law tax legislation which extends the Bush income tax cuts for two years and also raises the exemption from Federal estate taxes to $5 million per person ($10 Million for a married couple) for 2011 and 2012. The good news is that for at least the next two years, far fewer people will be affected by the Federal Estate Tax. The bad news is that many states (21 in 2011) like Minnesota still have state estate or inheritance taxes with typical exemptions of only $1 million or less. As a result, clients still need to properly plan their estate to avoid state estate taxes, which can claim as much as 40% of the values in excess of the exemption amount.

As a result of the changes, beginning January 1, 2011, married couples and single persons who die with estates exceeding $5 million (including insurance death benefits) need to be aware that their estate may, without careful planning, be subject to a Federal Estate Tax which will claim 55% of the value of all assets exceeding the $5 million exemption.

Since Minnesota also claims an estate tax on amounts over $1 million, married couples will want to set up appropriate estate planning to protect their estate from Minnesota estate taxes in order to protect up to two times the exemption, or $2 million.

Because of numerous changes to the estate tax exclusion over the past decade, couples affected by either the Federal or Minnesota Estate Tax should review their plan, especially if it was drafted prior to the year 2000 and has not been reviewed or updated since then.