Trust and Estate Planning News and Updates

The Good News, Updates, and Important Information From Your Friends at **Unruh, Turner, Burke & Frees.**

IMPORTANT ESTATE AND GIFT TAX MOVEMENT IN CONGRESS | By: David M. Frees, III

Where is this going and how will it change your estate plans, wills, and trusts? Part One: What is Going On?

Recently, a bill was introduced to eliminate the federal estate tax entirely. That's probably going nowhere. At almost the same time, Senator Bernie Sanders introduced legislation called "For the 99.5% Act," which would make sweeping changes to the current federal wealth tax laws that would greatly increase taxes at the death of one or both spouses (in the case of married couples).

While elimination of the tax seems highly unlikely, whether or not Congress will enact all or part of the proposed Sanders bill remains to be seen. That said, the Sanders bill deserves your attention for future planning, and certain taxpayers (typically those couples with estates of over 6 million dollars – including life insurance) may consider additional planning to minimize the potential impact of this or similar legislation that could be signed into law. If your estate is 3 million dollars or below, you're probably ok.

Reduced Exemption Amounts: Under the proposed legislation, the federal estate tax exemption (the amount of one's estate that can pass free from tax at death) would be sharply reduced. The federal estate tax would apply at death to individual estates with assets in excess of US$3.5 million. (The current lifetime exemption is US$11.7 million per individual). Couples could shelter a maximum of $7 million dollars. But this shelter is not automatic.

Higher Rates: Estates in excess of the exemption would also be subject to tax at graduated rates, beginning at 45 percent for estates between US$3.5 and US$10 million and 50 percent on assets between US$10 million and US$50 million. Thereafter, the tax rate increases from 55 percent to 65 percent depending on the size of the estate. *(Continued on Page 2)*

CONNECTING WITH US | Join our FB pages to get alerts of new articles and upcoming events we are planning.

Private Client Facebook Group at https://bit.ly/UTBFPCG and UTBF Trust and Estates Facebook Page at @UTBFTrustEstates

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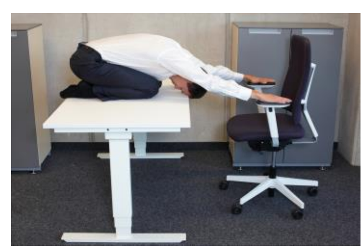
SPRING 2021

HIGHLIGHTS



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COMPLIMENTARY ELDER LAW VIRTUAL SEMINAR JUNE 3, 2021 3:30 PM

Continued from Page 1…**Limited Lifetime Use of Gift Tax Exemption:** Consistent with current law, lifetime gifts made by a person will continue to reduce the estate tax exemption available at death by the cumulative amounts of such gifts. However, under the Sanders bill, the lifetime exemption from gift tax would be reduced to US$1 million per person. If passed, all cumulative gifts made during life above the US$1 million exemption would incur a currently payable gift tax even if the cumulative gifts total less than the US$3.5 million exemption for transfers at death from one's estate. Gifts made prior to enactment to the bill will be counted against (reduce) one's new $1 million lifetime exemption. However, if those prior gifts exceed the new exemption, there does not currently appear to be any retroactive gift or estate tax consequences to those gifts.

If enacted into law, the new estate and gift tax exemptions and rates would apply to estates of decedents dying and gifts made after 31 December 2021.

Limits on Use of Traditional Tax Planning and Trusts: The Sanders bill would affect multigenerational planning with trusts as well. The current US$11.7 million exemption from the generation-skipping transfer tax on gifts or bequests to multigenerational trusts or to persons two or more generations younger than the transferor similarly would be reduced to US$3.5 million. Further, the Sanders proposal also would preclude any trust otherwise exempt from the generation-skipping transfer tax from avoiding generation-skipping transfer taxation for more than 50 years, effectively weakening the ability to create new long-term trusts under the current generation-skipping transfer tax laws. For existing trusts created before the date of the bill's enactment, these trusts could avoid taxation for no more than 50 years after the enactment of the law.

New Limits on Annual Gift Tax Exclusions: The Sanders bill also restricts the use of so-called annual exclusion gifts as well, which currently allow a person to make tax-free gifts of up to US$15,000 per year to any recipient ***without*** reducing one's lifetime gift or estate tax exemption. In particular, the bill would limit the ability to apply the annual exclusion to gifts made to trusts, to gifts of interests in pass-through entities like limited liability companies or partnerships, to transfers of an interest subject to a prohibition on sale, and to transfers of property that cannot immediately be liquidated. These limitations would apply for any calendar year beginning after the enactment of the law. ***(Article concludes in the INSERT)***

PEOPLE, PLACES AND PETS | Share a picture of a past vacation or your pets and win a prize! (Please send your pictures and stories to lsnyder@utbf.com). **We could not resist interviewing our new attorney, Anylise Crouthamel, about her pets!**

Matilda is an elongated tortoise, otherwise known by the scientific name: Indotestudo elongata. She is native to Southeast Asia and is a very high maintenance pet. She requires very specific humidity levels and temperatures and a labor intensive diet that consists of wild weeds, flowers, and worms. She has a life expectancy of approximately 40 years. She is almost ten years old, so I will be tending to her for quite a long time to come.

MATILDA

BENJI

When my mom comes to visit, we always play music and end up casually dancing around a bit in the kitchen while we cook. Just over the course of the last few weeks, my dog has developed what we believe may be an aversion to our kitchen dancing. He gets all riled up and starts jumping on us and nipping at us. We have not been able to fully ascertain if it is because he likes it and wants to join in the fun, or if he is desperate for us to stop. In either case, it is an absolutely hilarious experience each and every time!

SPOTLIGHT | NEW ATTORNEY – ANYLISE CROUTHAMEL

Anylise, Grey and Jim

Anylise has been working with the Trusts and Estates team since November 2020. She said that having a collaborative rather than confrontational personality makes the Trusts and Estates practice a perfect fit. She has enjoyed getting to know clients and feels that by learning your unique family story, she is able to formulate an estate plan that both achieves your goals and protects your legacy.

What is the first app you use in the morning? I always start my day by looking at my email, then calendar, followed by my news app. I go to Apple news, as it pulls from a wide variety of different publications covering everything from politics, to business, travel, cooking, entertainment/celebrity gossip, and beyond.

What would you do if you won the lottery? There is really no limit to the amount of philanthropic work that I would like to do if I hit the lottery for an enormous jackpot. One of my top initiatives would be creating and funding a nationwide network of nonprofit organizations focused on forming vocational/trade schools in underprivileged communities. I am also a huge animal lover and would invest heavily in animal rescue organizations - the Animal Rescue League of Berks County https://www.berksarl.org/ is a favorite.

What was/is your favorite vacation destination? I really adore any beach locale as a vacation destination. From the clear waters and white sandy beaches of the Caribbean to the pebbly shores of Capri, the draw of the ocean, a coastal breeze, and the sound of waves crashing is such a wonderful escape.

Anylise lives in Berks County with her husband Jim, and loves when Grey comes to visit from the city! We hope that you have the opportunity to get to know Anylise the next time you are in touch with the firm regarding your estate planning needs.

RECIPES | **Who doesn't love chocolate chips?!**

We found 50 recipes for you that use them! These are big, chewy cookies (like the ones you'd get in a bakery, but at a much lower cost), and easy to make at home. Try this one and find many more delicious recipes that contain chocolate chips - use the link below.

Ingredients: 2 cups all-purpose flour; ½ tsp baking soda; ½ tsp salt; ¾ cup unsalted butter, melted; 1 cup packed brown sugar; ½ cup white sugar; 1 tbsp vanilla extract; 1 egg; 1 egg yolk, 2 cups semi-sweet chocolate chips

Preheat oven to 325 degrees; grease cookie sheets; Sift together flour, baking soda and salt (set aside); Mix the melted butter, brown sugar and white sugar until blended. Beat in vanilla, egg, and egg yolk until light and creamy. Mix in the flour mixture until just blended. Gently stir in the chocolate chips. Take about ¼ cup of dough for each cookie; Make sure the dough mounds are about 3 inches apart.

Bake 15 to 17 minutes until edges are lightly toasted. Cool on baking sheet a few minutes then transfer to wire racks. Find more recipes at http://bit.ly/UTBFrecipe1.

Are You Feeling Zoom Fatigue? You Are Not Alone! | Make the Most of Virtual Meeting Days

Arrive early to your seat, and before you connect to the meeting, take a few moments to breathe and review the agenda and/or your goals. Enter the meeting and take time to greet individuals, but use speaker mode during any presentations, so you are able to focus on what is being said without being distracted by movements of other participants.

Schedule 10 or 15 minutes directly after the meeting ends to organize your "to-do" list or make additional notes, or to delegate tasks as necessary. It's also helpful to have time to use the bathroom before the next meeting!

Do not multi-task during the meeting. You will miss something and then have to have another meeting to figure out what you missed!

Take a few minutes each hour to get up from your work space, walk or stretch, outside if possible. Be mindful of your posture, do some easy exercises for your neck and shoulders. It's good for your body, mind and spirit!

Self-Care At Your Desk | Try These Stretches, You Won't Regret It!

You don't have to practice yoga to be able to do these stretches. If you spend a lot of time in front of the computer, or any other electronic devices, even the television, these seated stretches are for you.

Go to https://bit.ly/UTBFstretches to follow along with a video, or read descriptions of each stretch – do them all or just one or two when you need a break. These seated stretches take no time and you will feel better!

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Are You or a Loved One Over 65 and Concerned About The Extremely High (And Rising) Cost of Nursing Home or In Home Elder Care?

With Long Term Care Costs at $10,000.00 to $15,000.00 Dollars PER MONTH (Or More) Are You Worried That the Assets You Worked Hard to Build and to Protect Will Be Depleted Rather Than Passed on to a Spouse, Children or Grandchildren?

Are you confused about "elder law", asset protection trusts, Medicaid advance and emergency planning, and the process of trying to protect those assets for your family?

If so, we have good news – and can help to stop the confusion and start providing the answers.

Because you are a VIP client of Unruh, Turner, Burke and Frees, Doug Kaune, Chairman of our Elder Law Solutions® Practice Section of the firm has developed a free program to help you (and your family) to understand elder law planning, your real options and how to protect your assets with, or without, long term care insurance.

Who is this for?

Clients who are:

- **single or married with children and/or grandchildren,**
- **generally 65 or over,**
- **with estates of $2.5 million dollars or less, and**
- **who have long term care insurance or who have never purchased long term care insurance, and**
- **who want to protect a family home, vacation home, cash, mutual funds or other assets from the expense of long term nursing care.**

What you'll learn:

- **The rules for qualifying for Medicaid to pay for long term nursing care.**
- **Why the myth of "gifting" your home to your children for $1 might be the very worst thing you can do.**
- **Why it is best to start planning now so that you can navigate the five (5) year Medicaid look-back rules.**
- **How to use very special Medicaid Asset Protection Trusts to protect homes and or other assets while reducing estate, inheritance and possibly even income taxes.**
- **How to protect your right to live in your home or use your vacation property even after it is transferred to a Medicaid Trust.**
- **Why your revocable trust and most trusts under your will offer no protection from nursing home costs for you or a surviving spouse.**

When is it, how to save a spot, and who can attend?

Date: June 3rd 2021 Time: 3:30 PM to 5:00PM

Virtual Event: Your Login will be sent to you after you have registered

Who can attend? You and any of your children can attend at no charge

How to register: email lsnyder@utbf.com or call Lisa Snyder at 610-933-8069

For more resources review the back page of this insert…

Here are additional elder law resources for you in preparation for the program:

To get three valuable articles on elder law planning [click here](https://bit.ly/UTBFElderLawReports) **or type:** https://bit.ly/UTBFElderLawReports

To register for our monthly elder law planning newsletter [click here](http://bit.ly/UTBFElderLaw) **or type:** http://bit.ly/UTBFElderLaw

ESTATE TAX ARTICLE CONTINUATION FROM PAGE 2:

Limiting Traditional Business Succession Planning and Tax Discounts: Transfers of illiquid assets to family members are frequently subject to valuation discounts relating to their lack of marketability or lack of control. These valuable marketability and minority discounts on many family-owned entities would be disallowed moving forward for transfers of interests between family members. These restrictions would apply to transfers made after the date of the enactment of the law.

New Limitations on GRATS (Grantor ANNUITY TRUSTS) and Other Grantor Trusts: Grantor retained annuity trusts (GRATs), a type of gift trust created under the internal revenue code, currently allow taxpayers to create short-term trusts to pass future income and appreciation in value from assets to children or others with little or no gift tax cost at the end of the term of the trust. The Sanders bill limits the practical utility of GRATs by effectively imposing a minimum 10-year term on the trust. The bill would also preclude taxpayers from "zeroing out" transfers to GRATs, thereby requiring use of gift tax exemption or payment of gift tax to fund a GRAT. These changes would apply to transfers made after the date of the enactment of the law.

Further, the Sanders bill would also change existing law under which grantors of trusts can continue to pay the income tax on income or gain generated by assets after the grantor transfers assets to trust. Currently, these tax payments are not considered taxable gifts to the trust beneficiaries (and thus allow the trust assets to grow for the beneficiaries without reduction for taxes). Under the Sanders bill, the portion of a trust over which a grantor retains certain powers that cause the grantor to be personally liable for income tax now also could be subject to estate tax in the grantor's estate at death.

Further, if a grantor relinquishes these so-called grantor trust powers during the grantor's lifetime, thereby causing the trust to pay its own income taxes going forward, then the grantor also may be treated as having made an additional taxable gift to the trust. These changes would be effective for all trusts created on or after the enactment of the Sanders bill, to contributions made to trusts after the enactment of the bill regardless of a trust's creation date, and to certain portions of trusts created before the bill's enactment.

Part Two: What should you do about it?

If your individual estate exceeds 3.5 million dollars (or 7 million per couple – including life insurance), it's a good idea to get on the schedule of your estate planning attorneys for a review of the actions you might take as they will be deluged with new planning.

Gifting prior to enactment of the bill might be very important to you and to your family. That's almost certainly true if you own real estate, a closely held business, a farm or other assets you want to pass to your heirs and if your estate exceeds 10 million dollars, again, including life insurance payable on your death (which is includable and taxable for federal estate tax purposes).

If your estate is less than 3.5 million dollars (7 million per couple) you might want to take a "wait and see approach" and pay careful attention to how this and other bills move through Congress.

Finally, just as a reminder, if your planning was done prior to passage of the SECURE Act in 2020 and if you have significant retirement assets, you might be overdue for a "SECURE Act" update to your wills/trusts.