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Estate Planning Still Critical in Uncertain Times

BY SCOTT C. CASHMAN • JUNE 22, 2017

The “plan” unveiled by the Trump administration in late April to repeal the federal estate tax was a broadly vague outline of tax reform goals. The proposed changes did not mention the federal gift tax or generation skipping tax which are part of the unified transfer tax system along with the estate tax. The President has suggested that an alternative system may be to tax any appreciation, or increase in the value of an asset over time, for estate assets that exceed a generous exemption amount at capital gain tax rates. However, if the past is any guide to the future when it comes to tax reform, proposed legislation has a way of being significantly altered by the legislative process, so what is being floated now may end up being very different once a new law is on the books.

Regardless of whether the federal estate is repealed, estate planning for tax purposes remains important for many. First, the federal estate tax has a way of reappearing depending on the political winds in Washington. Second, the estate and inheritance tax exists at the state level in many states. For example, Massachusetts has a \$1 million state estate tax exemption, Rhode Island has a \$1.5 million exemption and Connecticut has a \$2 million exemption.

There are also non-tax reasons that make estate planning critical. Deciding how assets should pass to one's heirs is one major reason, to prevent the state from deciding how and to whom assets are distributed when there is no will by the deceased in place. Estate planning remains vital for families with minor children as well as families with a disabled child. Preservation and management of family wealth is another reason estate planning remains relevant.

In these uncertain times, estate planning continues to be an important part of many families' planning for the future. Potential repeal of the federal estate tax is only one facet of comprehensive wealth and estate planning.