

OF INTEREST

2015 Exemption and Annual Exclusion Amounts

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The federal estate, gift and generation-skipping transfer (“GST”) tax exemption amounts increased in 2015 to \$5,430,000 for individuals and to \$10,860,000 for married couples, from \$5,340,000 and \$10,680,000, respectively, in 2014. We recommend that you consider taking advantage of the increased gift tax exemption amount and possibly the GST tax exemption amount by making gifts to children and/or grandchildren either outright or to new or existing trusts. The increased gift tax exemption amount allows a married couple who previously used their full gift tax exemption amounts to transfer an additional \$180,000 to their descendants in 2015 without the imposition of federal gift tax. For gifts in excess of the gift tax exemption amount, federal gift tax is imposed at a 40% rate. Note that special considerations now apply to New York residents making aggregate gifts in excess of New York’s basic exclusion amount (currently \$2,062,500 and rising to \$3,125,000 on April 1, 2015). Please contact us if you are contemplating making such gifts.

In addition to the above, the amount each person may give annually to as many individuals as he or she desires without incurring gift tax and without using any of the gift tax exemption amount remains at \$14,000 in 2015. In other words, this year, a married couple may make “annual exclusion gifts” of up to a total of \$28,000 to an unlimited number of recipients. If you would like to make annual exclusion gifts to a minor, you may wish to make these gifts to “Crummey” trusts or to UTMA or college savings accounts. Please note that in addition to making gifts using your gift tax exemption and annual

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exclusion amounts, there is an unlimited gift tax exclusion for amounts paid on behalf of an individual directly to medical care providers for medical care and to educational institutions for tuition.

You may also wish to leverage gifts of your gift and GST tax exemption amounts by engaging in sales to grantor trusts. Other estate planning techniques, including intra family loans, grantor retained annuity trusts (“GRATs”) and split-interest charitable trusts, continue to be effective wealth transfer tools as well. This month, the Applicable Federal Rate for use with a sale to a grantor trust or for an intra family loan with a nine-year term is 1.74%. The Section 7520 “hurdle rate” for GRATs and certain split-interest trusts is 2.2%. It is important to note that certain techniques work better in a low-interest-rate environment, so it may be advantageous to act in the near future before interest rates rise further.

If you have any questions or would like to discuss your particular situation in further detail, please call or email us at the numbers and addresses listed below.

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