



Rosen Seymour Shapss Martin & Company LLP

Certified Public Accountants & Profitability Consultants

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LIFELINES BLAST

Greetings!

Welcome to the Fiduciary Services Group's Lifelines Blast! (a publication of Rosen Seymour Shapss Martin & Company). Here is where you will receive periodic updates on all your trust and estate needs.

We welcome your questions or comments about topics discussed or related ones. Please feel free to contact Alan M. Willinger at 212-303-1012 or via email at awillinger@rsmcpa.com. Charles L. Friedman can be reached at 212-303-1893 or via e-mail at cfriedman@rsmcpa.com and let us know how we can be of assistance.

Sincerely,

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Estate Tax Returns Must be Filed in Order to Take Advantage of Estate Tax Exemption Portability

Under the current law, each person is entitled to an estate tax exemption of \$5 million. If you are a married couple, you have the ability to transfer any unused estate tax exemption in the estate of the first spouse to die into the surviving spouse's estate. This concept is called portability. For example, if Spouse 1 dies with a



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taxable estate of \$3 million, there would be an additional \$2 million of exemption available for the surviving spouse's estate. The portability rules would allow \$7 million (\$ 5 million from surviving spouse's exemption and \$ 2 million from Spouse 1's exemption) to pass free of estate tax in the surviving spouse's estate. At a 35% tax rate, the savings using portability would be \$700,000.

This new and valuable tool in estate planning can only be used if the estate of the spouse who dies first timely files a federal estate tax return, computes the unused estate tax exemption, and makes a portability election. The IRS issued rules regarding the portability election in IRS Notice 2011-82. Taxpayers who assume they should not file an federal estate tax return since the estate is valued at less than \$5 million, could be making a big strategic error in not filing.

It should be noted that at the present time, the portability election is only in effective in the years 2011 and 2012.

2012 IRS Cost of Living Adjustments

The IRS announced its 2012 cost of living adjustment (COLA) to the federal estate tax exemption. In 2012, the estate tax exemption will increase by \$120,000 from \$5 million to \$ 5,120,000. There was no adjustment for the 2012 gift tax annual exclusion, which will remain at \$13,000.

Other 2012 COLA's include:

- An increase in the 401(k) and 403(b) contribution cap from \$16,500 to \$17,000
- The personal exemption increases from \$3,700 to \$3,800
- The standard deduction for married couples increases from \$11,600 to \$11,900

FIDUCIARY SERVICES GROUP

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RSSM's Fiduciary Services Group offers a wide range of fiduciary services. We assist and guide fiduciaries as they perform their duties and fulfill their obligations. In appropriate circumstances, we can also serve as trustee, and/or executor for you and your family. We will provide your family with protection and security by helping you plan for the future with incapacity protection, probate avoidance, planning for minor children, distribution planning and estate tax planning. Our team approach allows us to provide you with the most basic protection and our experience enables us to assist you with the most complex arrangements, including charitable giving and sophisticated estate tax strategies.

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