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February 2011

## **EFFECTS OF THE NEW FEDERAL AND STATE TAX LAWS ON ESTATES, TRUSTS AND ESTATE PLANNING**

By Vance L. Liebman & Michelle L. Wolf-Boze

Over the past few months, Illinois taxpayers have witnessed firsthand the ups and downs of tax law. First, federal lawmakers enacted the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, making several significant changes to the federal estate, generation-skipping transfer, and gift tax laws. Then, in January of this year, Illinois legislators passed the Taxpayer Accountability and Budget Stabilization Act. Each act accomplishes different things, but both have important implications for estate planning and estate administration.

### **Estate, Generation-Skipping Transfer and Gift Tax Changes in the 2010 Tax Act**

President Obama signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the "2010 Tax Act") into law on December 17, 2010. Before the 2010 Tax Act's enactment, estates for taxpayers who died in 2010 were not subject to any federal estate tax. 2010 estates, however, could not benefit from the step up in tax basis that applied to estates before 2010. Rather than receiving a stepped-up basis on all of a decedent's assets (which in most cases increased an asset's basis to its fair

market value on the date of death), the prior law only allowed 2010 estates a step up to the extent of \$1.3 million (or \$3 million for property received by surviving spouses). Had the 2010 Tax Act not been passed, starting on January 1, 2011, the estate tax would have returned with a maximum tax rate of 55% and a \$1 million exclusion amount. Many people view those levels as confiscatory, and thus the 2010 Tax Act does, indeed, provide relief.

For the entire legal update, please [click here](#).

#### FVLD News

FVLD attorney [Jon Vegosen](#) will conduct the coin toss at "Tennis Night for America" for the match between tennis greats Pete Sampras and Andre Agassi on Monday, Feb. 28 at 8 p.m. CT on ESPN2.

More information on FVLD's "[Post or Perish](#)" blog.

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