



Pioneer Bank & Trust

Trust & Investments

The Best For The West!

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Ask a trust officer: What's next for estate taxes?

DEAR TRUST OFFICER:

Has Congress fixed the estate tax mess yet? —PROCRASTINATING TESTATOR

DEAR PROCRASTINATING:

As of the beginning of December 2010, the answer is no. The federal estate tax remains in an unprecedented state of confusion.

First, attempts to reinstate the estate tax at the federal level for 2010 appear to have been dropped. The estates of those who died in 2010 never will owe a federal estate tax, even those of the billionaires.

But second, those estates will not get the benefit of basis step-up. That means heirs may owe a tax on the capital gain when they decide to sell their assets. This new "carryover basis" rule of income taxation is expected to affect ten times as many taxpayers as the estate tax would have.

Third, the federal estate tax will return on January 1, 2011. The tax rates will be far higher (up to 60% for some estates), and the exemption much lower, just \$1 million. That means estate tax planning will become much more important to many families.

One more thing: The gift tax rate in 2010 is just 35%, and it will rocket back up next year as well. This year has been a unique opportunity for restructuring family wealth with transfer tax costs at the lowest levels in generations.

Do you have a question concerning wealth management or trusts? Send your inquiry to [trustofficer@bankname.com].

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