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***EXECUTIVE SUMMARY OF THE ESTATE, GIFT & GENERATION-
SKIPPING TRANSFER TAX (GST) CHANGES UNDER THE 2001 TAX ACT***

<u>YEAR OF DEATH</u>	<u>EXEMPTION AMOUNT</u>	<u>TAX RATES</u>
2001 ¹	\$675,000	37 - 60%
2002 ²	\$1,000,000	41 - 50%
2003	\$1,000,000	41 - 49%
2004	\$1,500,000 ³	45 - 48%
2005	\$1,500,000	45 - 47%
2006	\$2,000,000	46% only
2007	\$2,000,000	45% only
2008	\$2,000,000	45% only
2009	\$3,500,000	45% only
2010 ESTATE & GST TAX REPEAL ⁴		35% only ⁵
2011	\$1,000,000 ⁶	37 - 60%

¹ Immediate changes include expansion of conservation easements and simplification of GST tax.

² Lifetime gift tax exemption is fixed at \$1 million beginning in 2002 and thereafter. The credit for state death taxes is reduced 25% in 2002, 50% in 2003 and 75% in 2004, and replaced with a deduction for state death taxes beginning in 2005.

³ GST tax exemption in 2001 is \$1,060,000, and will be adjusted for inflation in 2002 & 2003. In 2004 and thereafter, the GST tax exemption will equal the estate tax exemption. Also in 2004, the "qualified family-owned business interest" deduction (QFOBI) is eliminated.

⁴ Beginning in 2010 (and thereafter, unless "sunsetting", see fn6), carryover basis replaces the step-up in basis for capital gains purposes, except with respect to a \$1.3 million basis increase (plus an additional \$3 million basis increase for certain property left to a surviving spouse), as elected by the estate's executor. Numerous complicated exceptions and reporting requirements will apply.

⁵ Lifetime gift tax exemption remains at \$1 million with tax rate at highest individual rate (35%).

⁶ The so-called "sunset" provision will automatically eliminate all changes made in this tax bill and will serve to reinstate the Estate & GST tax (with a \$1 million exemption) on January 1, 2011, unless future legislation temporarily or permanently extends these provisions in the tax bill. Thus, as we already knew, ****THIS LAW IS SUBJECT TO CHANGE AT ANY TIME****. The makeup of Congress and President, future budget surplus/deficit realities, and general political winds are likely to impact future legislation.