

Estate Planning News Alert¹

IRS Announces Inflation Adjustments For 2012

The IRS has published inflation adjustments for taxable years beginning in 2012.² The adjustments of particular importance to our clients and fellow estate planners include:

- The unified exemption amount for gift tax and estate tax purposes rises to **\$5,120,000** from \$5,000,000 in 2011.
- The generation-skipping transfer tax (“GSTT”) exemption rises to **\$5,120,000** from \$5,000,000 in 2011.
- The gift tax annual exclusion to any person (other than for a future interest in property) remains at **\$13,000** (same as in 2009 - 2011).
- An estate electing to use the special use valuation method for qualified farm or business real property may receive an aggregate decrease in the value of qualified real property of not more than **\$1,040,000** (up from \$1,020,000 in 2011).
- The gift tax annual exclusion for gifts to a spouse who is not a U.S. citizen (other than for a future interest in property) rises to **\$139,000** from \$136,000 in 2011.
- The gifts from foreign persons that the recipient may be required to report under Code Sec. 6039F rises to **\$14,723** from \$14,375 in 2011.
- The dollar amount used to determine the “2-percent portion” for purposes of calculating interest under Code Sec. 6601(j) of the estate tax deferred with respect to the value of a closely-held business interest rises to **\$1,390,000** from \$1,360,000 in 2011.
- Income tax rate brackets for trusts and estates will be 15% on taxable income not over \$2,400, 25% on taxable income over \$2,400 but not over \$5,600, 28% on taxable income over \$5,600 but not over \$8,500, 33% on taxable income over \$8,500 but not over \$11,650, and **35% on taxable income over \$11,650**.
- The amount used to reduce the net unearned income reported on a child's income tax return that is subject to the “kiddie tax” is **\$950** (same as in 2009 - 2011). The same \$950 figure is used to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the “kiddie tax” (same as in 2009-2011). For a child to whom the “kiddie tax” applies, the alternative minimum tax exemption amount may not exceed the sum of (1) the child's earned income for the taxable year, plus (2) \$6,950.

Please contact your Shumaker estate planning attorney with questions or for assistance.³

¹ Prepared by Bruce H. Gordon, Chair of Tampa Office Trusts and Estates Department as a special supplement to the November/December 2011 Edition of *The Estate Planner*.

² See Rev Proc 2011-52, 2011-45 IRB ____ (Nov. 7, 2011).

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