

# Rumored Reduction of \$5 Million Federal Gift Tax Exemption to \$1 Million

November 14, 2011

Rumors are circulating that the Joint Committee on Deficit Reduction, referred to as the "Super Committee" may reduce the estate tax and gift tax exemptions effective November 23, 2011. The Super Committee faces the daunting task of reducing the deficit by at least \$1.5 trillion over the period of fiscal years 2012 through 2021. The Super Committee is expected to release its recommendations by November 23, 2011. Congress will then have until December 23, 2011 to vote or not vote on the proposed bill. The vote will be an up or down pure majority vote in each chamber. The Super Committee has been meeting primarily behind closed doors with the exception of a few public hearings so any hint as to the proposed changes is merely speculation at this point. However, many tax planners are basing their theories of expected changes on The Office of Management and Budget report, "Living Within Our Means and Investing in the Future: The President's Plan for Economic Growth and Deficit Reduction," which was released on September 19, 2011. Rumor has it that the Super Committee will reduce the estate tax and gift tax exemptions back to 2009 levels as President Obama's plan stipulated. For 2011, the estate and gift tax exemption amount is \$5 million. Tax planners believe that the Super Committee will decrease the estate tax exemption amount back down to the 2009 level of \$3.5 million. Additionally, many are speculating that the gift tax exemption amount will be decreased to \$1 million as of January 1, 2012 instead of January 1, 2013. Others fear that this decrease will take effect on November 23, 2011. Although these are just rumors, if you were considering making any gifts in 2011, it would be advisable to complete these gifts prior November 23, if possible. It should be further noted that even if the rumored reductions are not contained in the Super Committee proposal, if nothing is done, the estate tax and gift tax exemptions are scheduled to revert to the 2009 levels of \$3.5 million for the estate tax and \$1 million for the gift tax, on December 31, 2012. We urge you to consider making gifts now to take full advantage of the \$5 million gift tax exemption. These gifts should all be made prior to November 23, if possible, but even if no gift tax exemption reduction is contained in the Super Committee proposal, we would recommend that any contemplated gifts be made prior to December 31, 2012.

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