

Estate Planning Update: New 2018 Federal Transfer Tax Rules

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The Tax Cuts and Jobs Act (the “Act”) was passed by Congress earlier today under a modified title and is currently awaiting signature by President Trump. Among its many changes to the Federal tax code, the Act will double the Federal estate, gift and generation-skipping transfer (“GST”) tax exemption amounts from \$5 million to \$10 million per individual, with additional inflation adjustments as under prior law. The increased exemption amounts, however, are scheduled to expire on December 31, 2025.

We anticipate that estate planning in 2018 will be focused on reviewing Wills and other testamentary documents to make sure they continue to function appropriately in this new tax environment (particularly if they contain “formula dispositions” of the type described in this memorandum) and, where appropriate, on taking advantage of the increased exemption amounts through additional lifetime gifting.

In addition to providing an overview of the Federal estate, gift and GST tax rules that will be in place during 2018, this memorandum also describes the current Connecticut, New York and New Jersey transfer tax rules.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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