

THE CAMBS LAW FIRM, LLP

5701 West Genesee Street
Camillus, New York 13031.1280

Telephone (315) 484.1200

Facsimile (315) 484.7200

January 31st, 2010

Re: **2010 Tax Planning Updates**

Happy New Year to our Estate Planning Clients and Professional Colleagues:

As some of you may already know, it appears that the Federal Estate Tax has been temporarily repealed, effective as of January 1st, 2010. Few expected this to happen, and many believe that when Congress does assess the impact of this major change later this year, an attempt will be made to retroactively re-instate the Federal Estate Tax.

I'm therefore writing to summarize those recent changes to the Federal Estate Tax laws which became effective on January 1st, 2010, and to share thoughts on how these changes might impact your personal planning going forward:

- On January 1st 2010, the *Federal Estate Tax* and *Generation Skipping Transfer Tax* were temporarily repealed for one (1) year, pursuant to 'sunset provisions' which were originally included as part of the *Federal Economic Tax Recovery Act of 2001*.
- This temporary repeal applies *only* to the *Federal* Estate Tax and Generation Skipping Transfer Tax (GSTT). It does not apply to the *New York State* Estate Tax which impacts Estates of New York residents valued at more than \$1 Million Dollars. Additionally, the Federal Gift Tax remains in-effect at a rate of thirty-five (35%) percent for individual gifts in excess of \$1 Million Dollars.
- The temporary repeal of the *Federal Estate Tax* and GSTT may endure for all of 2010, or it may be halted by Congress at any time during the calendar year. The general consensus is that Congress will likely attempt to re-instate the 2009 Federal Estate Tax rates and exemptions at some point during 2010, but constitutional issues may prevent Congress from making any such re-instatement of 2009 estate tax rates or other action retroactive to January 1st, 2010.
- Still, the odds are fairly high that some legislators will fight hard to make any new *Federal Estate Tax* rates and structure retroactive to January 1st, 2010; and if such retroactive application is attempted, Federal Court proceedings may have to be exhausted before the effective date of 'new' *Federal Estate Tax* legislation is conclusively resolved.
- As such, where *Federal Estate Tax* liability can be anticipated (generally in those *Estates* which exceed \$1 Million Dollars in value), the *Estates* of Decedents dying on or after January 1st, 2010 may have to reserve sufficient funds to cover anticipated future