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**President Trump Signs into Law
the Tax Cuts and Jobs Act**

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Estate Tax Alert

Federal Changes

President Donald J. Trump signed into law the Tax Cuts and Jobs Act ("Tax Bill") on December 22, 2017. The Tax Bill doubles the federal exemption from \$5.6 million per person to \$11.2 million per person for gift and estate tax purposes effective January 1, 2018. The increased federal exemption will be indexed for inflation until December 31, 2025. On January 1, 2026, the federal exemption will return to \$5.6 million as increased for inflation.

New Jersey Changes

Effective January 1, 2018, the New Jersey estate tax is repealed. However, New Jersey will continue to have an inheritance tax. The New Jersey inheritance tax is imposed based upon the relationship of the beneficiary to the decedent. A surviving spouse, child, grandchild or other lineal descendant pays no inheritance tax. Other relatives and non-relatives, such as brothers/sisters, nieces/nephews and friends, will continue to be subject to the inheritance tax. The inheritance tax rate can range from 11% to 16%.

Step Up In Basis

The tax-free step-up in basis to fair market value at date of death remains.

Gift Tax

In 2018, the annual exclusion for gifts will increase from \$14,000 to \$15,000 per donee.

New Jersey does not impose a gift tax.

Planning Opportunities

With the repeal of the New Jersey estate tax and the increased federal exemption, it is important to review your estate planning instruments. The key to estate tax planning is flexibility. You need to be assured that your estate planning instruments are current and do not contain archaic provisions often referred to as pecuniary formula clauses which mandate the unnecessary funding of trusts with an amount equal to the federal exemption. The more flexible disclaimer method is now the preferred means.

Also, with the increased federal exemption, you should review whether action should be taken to modify your existing estate planning documents to take advantage of the tax-free step-up in basis rules.

The Tax Bill is massive and expansive. Additional in-depth analysis of various aspects of the Tax Bill will be forthcoming in the New Year.

If you would like to discuss the impact of the Tax Bill, please contact any of our Business attorneys:

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