Please Hold Your Applause

January 22, 2010 | by Einhorn Barbarito

So the day that we thought would never get here, is here. On January 1, 2010, the Federal estate tax was repealed. Yes, you heard me right. There is no longer a Federal estate tax. So let's assume that when Bill Gates gets a look at the new Apple tablet computing device, he is so overcome with fear that he drops dead. Even though in real life he is an extremely philanthropic guy, assume that he has a will that leaves his entire fortune to his children. So the kids inherit $50,000,000,000 tax free in 2010, and the IRS receives nothing. If Bill had the same plan and died in 2009, the IRS would have received over $22,000,000,000 (all those zeroes mean we are talking about billions of dollars). If Bill dies in 2011, anything over $1,000,000 (these zeroes mean one million dollars) will be subject to Federal estate taxes at rates as high as 55%. Yes, you read that correctly, the Federal estate tax repeal is temporary — it comes back in 2011. But wait — there's more — there is a very real possibility that the Federal estate tax could come back in 2010 and may even be made effective retroactively back to January 1, 2010. Of course, you and I know how insane this is. But Congress has only known about this for eight years. Certainly, they could not have been expected to deal with these issues over that short a period of time. What this means is that it is a very interesting time to be practicing in the area of estate planning. It also means that everyone should revisit their estate plan to determine whether or not changes are necessary. You might also think of writing to your member of Congress and suggest they get off their "keisters" and figure this thing out.