

Upstream Gifting: Leveraging The Estate Tax Exemption To Reduce Income Tax

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Let's face it, not many New Jersey residents have an estate tax problem these days. The individual lifetime federal estate and gift tax exemption is currently \$11.4 million (\$22.8 million per married couple when considering portability), and the New Jersey estate tax is all but a fading memory. With such a high federal exemption, certain clients may have elderly relatives who will die with large exemptions going unused. When the exemption was increased to \$5 million in 2011, practitioners began proposing a technique called "upstream gifting" to leverage unused exemptions in order for a client to achieve a step-up in basis on his or her own assets.

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