

Estate Tax Strategies by Pam Apke

In December of 2010, President Obama signed the 2010 Tax Relief Act. The Act states for persons dying in 2011 and 2012, the Federal exemption for Federal estate tax purposes is five million dollars. The exemption is the amount of property that a person can transfer during his lifetime by way of gift during life or at death in an estate. In 2011 and subsequent tax years, the Illinois exemption equivalent for estate tax purposes is two million dollars. Illinois has decoupled from the Federal exemption amount. This means that if your gross estate exceeds two million dollars, you will owe Illinois estate tax. If your taxable estate with adjusted taxable gifts is between two million dollars and five million dollars, you will owe Illinois estate tax with no corresponding Federal estate tax liability. At death, if your gross estate exceeds two million dollars, you are required to file Illinois Form 700. This is the Illinois estate tax return which requires an attachment of the Federal estate tax return even though no Federal estate tax is owed. It is important, if you are an Illinois resident, that you are aware of this potential tax. In addition, Illinois has now what is referred to as an Illinois QTIP election (Qualified Terminal Interest Property). For persons dying in 2011 and 2012, the Illinois QTIP maximum amount is three million dollars. The Illinois QTIP permits the estate to treat up to three million dollars of assets as QTIP. If you elect QTIP, the QTIP assets pass to your surviving spouse and are included for Illinois estate tax purposes on any Illinois estate tax return of the surviving spouse. Basically, you are pushing off the inclusion of these assets in your estate to the estate of the spouse. Because of these recent changes and decoupling of the Illinois estate tax from the Federal estate tax, it is important that you review your estate planning documents with your

legal counsel to make sure that you have the proper language maximizing the amount of property that you can transfer to the next generation without paying Federal or Illinois estate taxes and allow utilization of the Illinois QTIP election. For further questions or information, please feel free to email attorney Pamela Apke of Oldfield Myers Apke & Payne Law Group, Ltd. at: apke@lawgrouppltd.com.