

Proposed "For the 99.5% Act" Could Bring Significant Changes to Existing Federal Estate, Gift and Trust Tax Rules

The recent introduction of Senator Bernie Sanders's proposed tax reform bill, the "For the 99.5% Act," brings the possibility of unprecedented changes to the tax and estate planning landscape by reducing existing federal estate and gift tax exemptions, increasing estate tax rates, limiting lifetime transfer strategies, and imposing new rules and regulations on certain types of commonly used trusts.

Although the outcome of this proposed legislation remains unknown, taxpayers who might be impacted by the bill's enactment can consider making preemptive changes to their estate planning strategy to forestall potential changes in the law.

Presently, the federal estate and gift tax exemption is set at \$11.7 million per individual and \$23.4 million per married couple. Each individual may apply this exemption to gifts made during the taxpayer's lifetime or to transfers made at the taxpayer's death. The exemption may also be applied partially to lifetime transfers and the remainder to transfers at death.

The "For the 99.5% Act" proposes the following changes, which if enacted would likely take effect at the end of 2021:

It is important to note that the provisions of the "For the 99.5% Act," if enacted as currently proposed, would not apply to trusts and transfers created prior to enactment. It may therefore be prudent for high-net-worth individuals to consider proactive next steps to address these potential limitations before they become law.

The author of this Alert, **Karen A. Evans**, and the members of our **Tax, Trusts & Estates Department** listed below, are available to answer your questions and provide guidance concerning your current estate and tax planning strategies.

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