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ESTATE PLANNING ALERT

December 21, 2010

Dear Clients and Friends:

As you have likely heard, President Obama recently signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the "Act"). The Act provides taxpayers with some certainty, at least for the next two years, on a number of tax-related fronts, including the estate, gift and generation-skipping transfer ("GST") taxes.

Some of the highlights of the new law include a reunification of the estate and gift tax regimes, with an increased exemption amount of \$5 million (\$10 million per married couple) and a top tax rate of 35%. The exemption amount will be indexed for inflation beginning in 2011. The new law also provides that any estate tax exemption (but not GST tax exemption) that goes unused in the first spouse's estate is "portable," so that it may be added to the surviving spouse's exemption amount and used at his or her later death.

Now that the law is in place for the next two years, it will be important to review your estate planning documents to identify any needed changes. Plans will need to be able to deal with the recent changes in the law and, at the same time, be flexible enough to deal with a possible return to the prior law at the end of the two year extension period in 2012. It will also be necessary to determine the impact of the state estate tax laws which, in many cases, are not nearly as taxpayer friendly.

In addition to reviewing your current documents, it would be appropriate to review whether you and your family would benefit from making lifetime gifts in this more favorable tax environment. Conspicuously absent from the Act is any limitation on certain attractive planning techniques, such as Grantor Retained Annuity Trusts ("GRATs"), Qualified Personal Residence Trusts ("QPRTs") and Family Limited Partnerships ("FLPs"). These techniques, which allow for leveraging the gift tax exemption, were targeted in earlier legislative proposals over the past year. Now may be a good time to explore these and other lifetime planning techniques since it is certainly possible that Congress could move to limit the benefit of these techniques under future legislation.

Please contact us if you would like to schedule a time to review your plan and determine whether you would benefit from any updates.

Sincerely,

Blair & Potts