

Your *Trust* Matters

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MidWestOne™
TRUST SERVICES



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Planning for the Federal Estate Tax Exemption Sunset

The federal estate tax is the tax imposed by the federal government when you pass away and transfer assets to your heirs. The tax is imposed on the value of your estate in excess of the exemption. In 2017, Congress passed the Tax Cuts and Jobs Act (TCJA), which increased the exemption to \$11 million per person indexed for inflation. For 2023, the amount of the estate tax exemption indexed for inflation was \$12.92 million per person, or \$25.84 million for a married couple.

The estate tax exemption passed under the TCJA is set to sunset after 2025 unless extended by Congress. After the sunset, the exemption amount will revert to \$5 million per person, indexed for inflation (currently estimated to be \$6.08 million). High net worth individuals who may be affected by the estate tax exemption sunset may consider the following actions:

Lifetime Gifting: Take advantage of the increased exemption amount while it is still in effect by making lifetime gifts to reduce the size of your taxable estate. Currently, individuals can gift up to the exemption limit without incurring gift taxes.

Irrevocable Trusts: Explore the use of irrevocable trusts to transfer assets out of your taxable estate. These types of trusts can include Spousal Lifetime Access Trusts (SLATs) or grantor-retained annuity trusts (GRATs).

Family Limited Partnerships or LLCs: Consider utilizing family limited partnerships (FLPs) or family limited liability companies (LLCs) to facilitate the transfer of assets to family members while retaining control. These entities can help reduce the value of your taxable estate.

Charitable Giving: Philanthropic strategies, such as establishing charitable trusts or donor-advised funds, can be employed to reduce the size of your estate while supporting causes you care about.

Stay Informed: Keep track of legislative developments and changes related to estate tax laws. Consult with tax professionals or financial advisors who can provide up-to-date guidance based on current laws and regulations.

It's important to note that estate planning is a complex area, and individual circumstances can vary. Consulting with professionals who specialize in estate planning and taxation is essential to develop a strategy that aligns with your specific goals and objectives. The Trust Department at MidWestOne Bank is happy to be part of the team to help you through this process.

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