

# Planning Pieces

*.A Periodic Publication of Issues Affecting Estate Planning*

## The Estate Tax Law Changes... Again



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### Special points of interest:

- Federal Estate Tax Exemption \$5million
- Illinois Estate Tax Exemption \$2million
- Illinois recognizes civil unions
- Fed stops paper checks
- Illinois ag land prices reach all-time highs despite rainy spring

On December 17, 2010, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law.

Among other things, it raised the federal estate tax exclusion amount to \$5 million per person and allowed spouses to share a combined \$10 million per couple exclusion amount. Additionally, on January 13, 2011, the Illinois P.A. 096-1496 was signed into law which reinstated the Illinois estate tax and capped the Illinois exclusion amount at \$2 million per person. These changes will affect many of our clients who have marital A-B Trust planning whose trusts were drafted at a time when the State of Illinois and federal estate tax rules corresponded more closely with one another or

when the exclusion amounts were much lower than those currently in place. Some clients may no longer need these trusts; others will be in need of modification to their trusts to maximize the exemptions without causing undue tax.

Additional changes to the federal tax laws allowed for a reunification of the gift and estate tax, which allows individuals to make up to \$5 million in gifts (over and above the \$13,000 per year, per person annual exclusion amount) before incurring gift tax. Previously, the gift tax exemption had been capped at \$1 million, despite the estate tax exclusion being more than that.

## Other IRS News

### Foreign Bank Account Reporting

The IRS has announced a second **Offshore Voluntary Disclosure Initiative** designed to allow those with foreign accounts who previously failed to notify the IRS to come forward and voluntarily disclose the bank account. While the initiative is aimed in large part at those who are "hiding" (to use the IRS' word) money, a great deal of discussion in the legal community centers on those clients who have unwittingly been caught up in this scenario because they simply did not realize that they had to report. A couple of common examples include:

- Clients who regularly visit or vacation overseas and maintain a bank account for traveling purposes
- Clients who have authorized signatory designation on a foreign bank account through work

- Clients who have lived overseas and file taxes in their resident countries but maintain US Citizenship

If you think you could be affected by this initiative, do not wait. The filing deadline is August 31, 2011 and the penalties are extremely stiff.

### IRS Goes Fishing

The IRS recently requested permission to file a summons on the State of California to obtain information that will help them discover individuals who may have transferred real estate to non-spouse relatives (presumably for failure to report it). Although the measure does not directly impact us, it is evidence of the IRS' increasing efforts to step-up compliance. If you may have made past gifts that were not reported you will want to bring your reporting up-to-date.

**10 Signs of Alzheimer's**

- Memory loss
- Difficulty performing familiar tasks
- Problems with language
- Disorientation to time and place
- Poor or decreased judgment
- Problems with abstract thinking
- Misplacing things
- Changes in mood or behavior
- Changes in personality
- Loss of initiative

*From When Alzheimer's Disease Affects a Client by James Sullivan published in NAELA News Vol 23, Iss 1*



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**Alzheimer's Among Aging Adults**

**Alzheimer's Disease** is the most common cause of dementia in those over 65. It is characterized by a decline in memory and thinking. One of the most important identifying characteristics is the tendency to confuse identities of family members. There is no way to definitively diagnose Alzheimer's during life. There is also no cure and the average span of the disease is seven to nine years, meaning that individuals often require extended periods of assistance (e.g. paying bills, managing assets) as well as longer nursing home

stays, putting financial strain on the individual's finances. The National Institutes of Health National Institute on Aging Fact Sheet indicates that genetics may play a strong role in the likelihood of developing Alzheimer's (<http://www.nia.nih.gov/Alzheimers/Publications/geneticsfs.htm>). If someone you know seems more at-risk of AD, planning ahead is even more important.

As if I needed another reason to encourage you to explore the option of long-term care insurance...

**To Farm or Not To Farm?**

To-be or not-to-be a farmer? Recent conversations with farm managers and appraisers alike suggest that prices for good-quality central Illinois farmland are at all-time highs, with sales throughout the State of Illinois rumored to be in the \$9,000-\$10,000 per acre range, and projected grain prices have stayed high as well, riding per-

haps on short-supply projections.

With the wet spring we have experienced, Mother Nature may be doing her part to keep those supplies low. Visit [www.farmdocdaily.illinois.edu](http://www.farmdocdaily.illinois.edu) for more discussion of commodity projections and a discussion of "how late is too late" to plant.



**Civil Unions**

Effective June 1, 2011, Illinois will begin to recognize civil unions defined as: a legal relationship between two persons, regardless of gender. Illinois law provides that a party to a civil union is entitled to the same legal obligations, responsibilities, and benefits afforded spouses under Illinois law. Illinois will also begin to recognize those unions or marriages that were validly entered into in other states.

**Push Toward Paperless Payments**

The Treasury Department announced *no more paper checks for federal government benefits* by March 1, 2013 for those already receiving benefits and immediately for those applying for benefits for the first time. Electronic funds transfer or

pre-paid debit card will be the only forms of payment. Programs affected include: Social Security, SSI, Veterans Affairs, Railroad Retirement Board, Office of Personnel Management and Department of Labor (for Black Lung payments).



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