

# Are Estate Taxes Changing?

*What to know about the budget reconciliation bill.*

Provided by DSA Financial Group

To help raise revenue to pay for President Biden's Build Back Better Plan, Congress is considering a number of tax law changes, including adjusting estate taxes.

One of the proposals would reduce the estate tax exemption to anywhere between \$3.5 and \$5 million, with an effective date of January 1, 2022. Another proposal would bring new rules to grantor trusts, including a change to how life insurance held in a trust would be taxed.<sup>1,2</sup>

At this point, many ideas are being evaluated, but nothing is final. Corporate tax rates, individual tax rates, and capital gains taxes are also on the negotiating table.

For now, the federal estate tax exemption remains at \$11.7 for 2021, with a married couple having a combined exemption for 2021 of \$23.4 million.<sup>3</sup>

But it wouldn't be a surprise if the estate tax law changed as part of the overall plan. In 2019, 2,570 taxable estate-tax returns were filed, and they owed a combined \$13.2 billion. Lowering the estate tax exemption to \$5 million would raise an estimated \$52.3 billion over five years.<sup>1</sup>

As difficult as it may be, the best approach is to wait-and-see. It would be hasty to make any estate changes based on current discussions.

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This article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and financial professionals before modifying your estate tax strategy.

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

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**Citations**

1. CNBC.com, September 29, 2021
2. FA-mag.com, September 22, 2021
3. IRS.gov, October 25, 2021