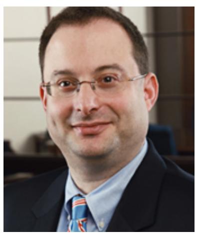
Bailey Cavalieri LLC
ATTORNEYS AT LAW

CLIENT ALERT

About the Authors:

Robert R. Dunn can be reached at 614/229-3284, or at Robert.Dunn@baileycavalieri.com



Harlan S. Louis can be reached at 614/229-3225, or at Harlan.Louis@baileycavalieri.com

David A. Onega can be reached at 614/229-3200, or at David.Onega@baileycavalieri.com

Justin R. Spillers can be reached at 614/229-3222, or at Justin.Spillers@baileycavalieri.com

Bailey Cavalieri LLC
One Columbus
10 West Broad Street, Suite 2100
Columbus, Ohio 43215-3422
phone - 614/221-3155
facsimile - 614/221-0479

Kettering Tower
40 North Main Street, Suite 1250
Dayton, Ohio 45423-0001
phone - 937-223-4701
facsimile - 937/223-0170

American Taxpayer Relief Act of 2012

On January 2, 2013, the American Taxpayer Relief Act of 2012 (the "Act") was enacted. The Act extends and makes permanent several tax provisions, including the first "permanent" estate, gift, and generation skipping transfer ("GST") tax provisions since 2001. These rules are now permanent in the sense that they do not expire or lapse, but Congress could change them again by passing subsequent legislation.

The key basic estate, gift, and GST tax provisions of the Act are:

- Every individual will have a basic exemption of $5,250,000 (indexed for inflation in future years) from estate and gift taxes, and a separate exemption of the same amount from GST taxes.
- The maximum estate, gift, and GST tax rate will be 40% (up from 35% in 2012).
- Any portion of a deceased spouse's estate or gift tax exemption (but not the GST exemption) remains "portable." This allows the executor of a deceased spouse's estate to transfer any unused exemption to the surviving spouse.
- The annual exclusion amount has been raised to $14,000 (up from $13,000 in 2012). This was scheduled to occur even without the Act. This is the amount an individual can give to any other individual in any given year, without reducing the individual's basic exemption amount. Married couples can join each other's annual exclusion gifts, thereby giving up to $28,000 per individual.
- The Act extends the IRA charitable rollover provisions through 2013. This allows people age 70 ½ and older to make tax-free charitable transfers from their IRAs that count against their otherwise required minimum distributions.

By passing this last-minute compromise, Congress averted automatically returning to the transfer tax regime that existed prior to 2001. If the Act had not passed, taxpayers beginning in 2013 would have faced a top rate for estates and gifts of 55%, including an estate and gift tax exemption amount of $1 million. The Act now provides some clarity and certainty in the transfer tax area for the foreseeable future.

For estates above the $5,250,000 threshold, now is a good time for additional planning to reduce the impact of the higher 40% tax rate. This is especially true while the use of short-term Grantor Retained Annuity Trusts ("GRATs") and other sophisticated estate planning techniques remain available.

For estates below the $5,250,000 threshold, now is a good time to look at simplifying your estate plan to remove complex tax provisions that may no longer be appropriate.