TRUST & ESTATE ALERT

January 27, 2017

2017 Inflation-Adjusted Figures for Trust, Estate and Gift Tax

Each year, the U.S. Department of Labor releases an adjusted Consumer Price Index (CPI), based on prior year data. Below is a brief overview of the anticipated 2017 figures related to estate and gift tax as well as taxes on foreign gifts and foreign income.

Trust, Estate and Gift Tax Figures

- **Unified estate and gift tax exclusion amount.** For gifts made and estates of decedents dying in 2017, the exclusion amount will be $5,490,000 (up from $5,450,000 for gifts made and estates of decedents dying in 2016).

- **Generation-skipping transfer (GST) tax exemption.** The exemption from GST tax will be $5,490,000 for transfers in 2017 (up from $5,450,000 for transfers in 2016).

- **Gift tax annual exclusion.** For gifts made in 2017, the gift tax annual exclusion will be $14,000 (same as for gifts made in 2016).

- **Special use valuation reduction limit.** For estates of decedents dying in 2017, the limit on the decrease in value that can result from the use of special valuation will be $1,120,000 (up from $1,110,000 for 2016).

- **Determining 2% portion for interest on deferred estate tax.** In determining the part of the estate tax that is deferred on a farm or closely-held business that is subject to interest at a rate of 2% a year, for decedents dying in 2017, the tentative tax will be computed on $1,490,000 (up from $1,480,000 for 2016) plus the applicable exclusion amount.

Foreign Gifts, Foreign Income and Expatriation

- **Increased annual exclusion for gifts to noncitizen spouses.** For gifts made in 2017, the annual exclusion for gifts to noncitizen spouses will be $149,000 (up from $148,000 for 2016).

- **Reporting foreign gifts.** If the value of the aggregate “foreign gifts” received by a U.S. person (other than an exempt Code Sec. 501(c) organization) exceeds a threshold amount, the U.S. person must report each "foreign gift" to IRS. (Code Sec. 6039F(a)) Different reporting thresholds apply for gifts received from (a) nonresident alien individuals or foreign estates, and (b) foreign partnerships or foreign corporations. For gifts from a nonresident alien individual or foreign estate, reporting is required only if the aggregate amount of gifts from that person exceeds $100,000 during the tax year. For gifts from foreign corporations and foreign partnerships, the reporting threshold amount will be $15,797 in 2017 (up from $15,671 for 2016).

- **Expatriation.** For 2017, an individual with "average annual net income tax" of more than $162,000 (up from $161,000 for 2016) for the five tax years ending before the date of the loss of U.S. citizenship will be a covered expatriate. Under a mark-to-market deemed sale rule, all property of a covered expatriate is treated as sold on the day before the expatriation date for its fair market value. However, for 2017, the amount that would otherwise be includible in the gross income of any individual under these mark-to-market rules will be reduced by $699,000 (up from $693,000 for 2016).

- **Foreign earned income exclusion.** The foreign earned income exclusion amount will increase to $102,100 in 2017 (up from $101,300 in 2016).

What Do I Need to Do?

Talk to your advisor about how your 2017 trust, estate and gift plans might be affected by these changes.

If you haven't done so in the recent past, it might also be a good idea to review and update your plans to make sure you're making the most of your giving.