

HOW MUCH CAN YOU TRANSFER FREE OF THE CALIFORNIA ESTATE TAX?

“Taxation is something that you may have questions about when you are devising your estate plan. When you hear about the existence of the federal estate tax, you may be quite concerned about its potential impact.”



If you have concerns, we have good news for you: The vast majority of people are not exposed to the estate tax, because there is a relatively large federal estate tax credit or exclusion.

The amount of the exclusion was set at \$5 million in 2011, and this figure was retained as a base after the enactment of the American Taxpayer Relief Act of 2012.

However, there have been ongoing adjustments to account for inflation. In 2015, the exact amount of the federal estate tax exclusion is \$5.43 million. The maximum rate of the tax is 40 percent.

We should point out the fact that there is an unlimited marital deduction. There is no limit to the amount of property that you can transfer to your spouse tax-free as long as your spouse is an American citizen. The estate tax is only applicable on transfers to others, but it does extend to all close relations, even your parents and your children.

Federal Gift Tax

Right after the estate tax was enacted in 1916, some people saw a window of opportunity. While they were still living, high net worth individuals who were exposed to the estate tax gave gifts to their loved ones to avoid the tax.

In 1924 a gift tax was enacted, and it was repealed in 1926. However, the tax was reenacted in 1932, and we have had a gift tax since then.

The federal gift tax is unified with the estate tax. As a result of this unification, the \$5.43 million exclusion that we have during the current calendar year applies to your estate along with the lifetime gifts that you give.

To provide clarity by way of example, if you give \$5.43 million in tax-free gifts while you are living, you will exhaust your unified gift and estate tax exclusion. As a result, everything that is transferred to your loved ones after your passing would potentially be exposed to the estate tax.

The unlimited marital deduction also applies to lifetime gift giving. There is no tax on transfers between spouses who are American citizens, regardless of when the transfers take place.

State-Level Estate Taxes

In addition to the federal estate tax, there are a number of states in the union that levy state-level estate taxes. We practice law in the state of California. Fortunately for us, there is no state-level estate tax in our state.

However, there is something that you should take into consideration. If you own valuable property in a state that does have a state-level estate tax, that tax could be applicable when the property is being transferred, even if you are a citizen of California.

Summary

The federal estate tax is not a factor for most people, but if your estate is in

taxable territory, it can take a heavy toll on your financial legacy due to its 40 percent maximum rate.

If you are exposed to estate taxes on any level, there are things that you can do to mitigate your exposure. The implementation of the appropriate wealth preservation strategies can dramatically decrease the negative impact of death taxes.

There are a number of different ways to reduce your estate tax exposure, and the optimal course of action will vary depending upon the circumstances.

To explore your options, set up a consultation with a licensed estate planning attorney. Many attorneys offer initial consultations on a complimentary basis, and you can take advantage of this risk-free opportunity.

Your lawyer will gain an understanding of your situation, answer your questions, and become apprised of your objectives. If you choose to go forward, you can work with your attorney to devise a custom crafted wealth preservation plan. You can ultimately go forward with the knowledge that your hard-earned wealth will be available to help pave the way for your loved ones after you are gone.

References

Forbes

<http://www.forbes.com/sites/deborahljacobs/2013/01/09/a-married-couples-guide-to-estate-planning/>

IRS

<http://www.irs.gov/Businesses/Small-Businesses-%26-Self-Employed/Estate-Tax>

About the Author



Attorney Caprice L. Collins is a top rated Harvard Law School graduate. She has 34 years of legal experience with a successful law practice devoted exclusively to Estate/Business Planning and Trust Administration. Attorney Collins is a well-respected keynote speaker on Wills, Living Trusts, Estate Planning, Business Planning and Trust Administration. She has appeared on California's Real Estate Radio Station KTLK AM 1150 as a legal expert on Estate Planning and Living Trusts among many other notable media appearances.

Attorney Collins has substantial experience in Estate Planning for high net worth individuals using Family Limited Partnerships and other business entities to provide Asset Protection to their families. She has assisted organizations in their fundraising efforts by authorizing articles for their publications and conducting free seminars to their donors on advance Estate Planning Strategies such as Charitable Remainder Trusts, Family Living Partnerships, Irrevocable Life Insurance Trusts and Qualified Personal Residence Trusts. She also provides FREE Seminars on Living Trusts, Asset Protection and Business Planning to civic, faith-based, professional and business organizations.

INGLEWOOD 3330 West Manchester Boulevard Inglewood, CA 90305  (310) 677-9787  clcfirm@aol.com  (310) 677-6742	TORRANCE 21250 Hawthorne Blvd., Ste 700 Torrance, CA 90503  (310) 677-9787  clcfirm@aol.com  (310) 677-6742	LOS ANGELES 13101 West Washington Blvd., Ste 114 Los Angeles, CA 90066  (310) 677-9787  clcfirm@aol.com  (310) 677-6742
--	--	--