

Withers update on California and federal legislative activity affecting estate taxes

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This client alert provides a brief update on California and federal legislative activity affecting the estate tax.

Proposed California Estate Tax Legislation is Dead (For Now)

Many of you may have heard about recently introduced legislation to enact a California estate tax. For those who are concerned, you will be pleased to know that the bill will not get a floor vote in the California legislature, and is effectively dead at this time. The proposed legislation, which was introduced by California State Senator Scott Wiener, would have imposed a 40% tax on any California resident with an estate of over \$3.5 million dollars up to the federal exclusion amount, so there would be no double taxation. This bill, if enacted, would have effectively lowered the estate, gift and generation skipping tax exemption from approximately \$11.4 million to \$3.5 million for all California residents. If similar legislation is introduced in the future and moves forward in the state legislature, we will let you know. Keep in mind that no such law can be enacted without a statewide ballot measure.

Consider the Federal Estate and Gift Tax Exemption

As you likely are aware, the 2017 federal tax reform bill, known as the Tax Cuts and Jobs Act, doubled the federal estate and gift tax exemption amount from \$5 million to \$10 million. These numbers are adjusted for inflation, up to \$11.4 million in 2019 (\$22.8 million for a married couple). Notably, the increased exclusion amount is scheduled to sunset, and will return to \$5 million, as adjusted for inflation, on January 1, 2026. Some pundits have speculated that if there is a Democratic wave in 2020, the increased exclusion amount may be reduced sooner.

Next Steps

If you would like to discuss whether it would make sense to utilize the increased exemption amount while it is available, and we have not already discussed this, we encourage you to contact us to set up a phone call or meeting.

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