

Greetings from Stevens & Brand, L.L.P.!

As the end of the year approaches, many significant changes to estate and gift tax laws loom, and as a result, should be central to your year-end tax planning. We have received many questions from our clients about these pending changes and the implications to our clients.

The Federal Estate and Gift tax system is arguably one of the most complicated areas of the Internal Revenue Code. Making this system of taxation even more confusing is the uncertainty surrounding possible changes to these taxes. The Bush-era 2001 tax act (the "2001 Act") together with the Obama-era continuation (the "2010 Act") both expire on January 1, 2013. The "sunset" of these tax cuts creates urgency for end-of-year planning and consideration of gifts. Lack of planning today may result in hefty taxes in the future.

The table below highlights some of the changes which will result from the sunset of the tax cuts enjoyed by taxpayers as a result of both the 2001 Act and 2010 Act:

	2012	January 1, 2013
Fed. Estate Tax Exemption	\$5,120,000	\$1,000,000
Highest Fed. Estate Tax Rate	35.0%	55.0% (plus 5.0% surtax between \$10,000,000 and \$17,200,000)
Fed. Gift Tax Exemption	\$5,120,000	\$1,000,000
Highest Fed. Gift Tax Rate	35.0%	55.0% (plus 5.0% surtax between \$10,000,000 and \$17,200,000)
Fed. Gift Tax Annual Exclusion	\$13,000	\$14,000

The Estate and Gift exemption amount of \$5,120,000.00 is by far the largest in our nation's history. Individuals who have the means and desire to do so should plan on

taking advantage of this tremendous opportunity during 2012. Making lifetime gifts is a simple and effective estate tax minimization strategy. Gifting permits the value of the gift AND its appreciation after the gift to escape the Federal Estate tax.

Strategic planning may utilize additional tools to leverage a gift while maintaining some control of the gift during the donor's life or other applicable period of time. Certain types of trusts, limited liability companies, insurance products, promissory notes or other planning tools can dramatically enhance the power and attractiveness of lifetime gifting.

In addition to Federal tax issues, the state of Kansas will have a new income tax paradigm in 2013. Beginning in 2013, the Kansas income tax will permit a subtraction from taxable income for (i) profits reported on a Schedule C to a federal 1040 Income Tax return; (ii) net income from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental reported on Schedule E to a federal 1040 Income Tax return; and (iii) net farm profit as reported on Schedule F to a federal 1040 Income Tax return. As a result of the changes to Kansas income taxation, a charitable donation deduction in 2012 may be much more valuable to Kansas taxpayers than a gift in 2013 or beyond.

Planning should always be driven by the donor's values, philosophy, intent and other unique characteristics. As a result, a donor should consult with financial and legal advisors to plan for gifts and contemplate the impact of gifts upon the donor's taxes, financial management issues, and family considerations. Now is the time to meet with your financial planner and estate planning attorney to analyze the proper gifting strategy to take advantage of the unique opportunity existing in 2012. We encourage you to

contact your Stevens & Brand, L.L.P. attorneys to address this important and time-sensitive planning opportunity.