

HOW MUCH CAN I TRANSFER FREE OF THE PENNSYLVANIA ESTATE TAX?

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FLOOD & MASIUK LLC
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When you achieve your financial goals, you have reached a satisfying plateau, but there is a responsibility that goes along with success. You have to preserve your wealth for the benefit of the loved ones that you will be leaving behind, and this can be challenging.

Even if you are very careful about your own actions, you have to be concerned about taxation. There is a federal estate tax that looms large for high net worth families, and this tax can have a huge impact. We will look at the details in this paper.

UNLIMITED MARITAL DEDUCTION

The first thing that we should point out about the estate tax is the fact that it is not applicable on transfers between spouses. If you are legally married in the eyes of the law, you can transfer unlimited assets to your spouse without incurring any estate tax liability.

This is the case if you are married to an American citizen. The tax collectors want to be able to get some money someday, and they don't want a non-citizen spouse to return to his or her country of citizenship with a tax-free inheritance.



FEDERAL ESTATE TAX DEDUCTION

There is a federal estate tax exclusion that allows you to transfer a certain amount of money to people other than your spouse before the estate tax would become applicable. To understand the exact amount of the estate tax exclusion this year, you need to take a brief walk down memory lane.

A \$5 million exclusion was put into place via legislative mandate for 2011 and



2012, but there was an adjustment to account for inflation in 2012 that brought the exclusion up to \$5.12 million. At the end of 2012, the American Taxpayer Relief Act of 2012 was passed, and it made the base exclusion permanent.

There have been inflation adjustments each year since 2012, and after a series of adjustments, the exact amount of the federal estate tax exclusion in 2015 is \$5.43 million. This is the amount that you can transfer tax-free.

We should point out the fact that the estate tax exclusion is portable between spouses. This means that your surviving spouse could use your exclusion and his or her own after your passing.

FEDERAL GIFT TAX

It would be natural to consider lifetime gift giving when you hear about the existence of the federal estate tax. People did give gifts to avoid the estate tax



right after the estate tax was enacted in 1916.

To close this loophole, a gift tax was enacted in 1924, but it was repealed in 1926. The good times ended in 1932 when the gift tax was put back in place, and it has been a fact of life since then.

The gift tax and the estate tax are unified, so the \$5.43 million exclusion is a unified exclusion. It applies to gifts that you give while you are living along with the value of your estate.

STATE-LEVEL ESTATE TAX

There are numerous states in the union that impose state-level estate taxes. In these states, the exclusions are lower than the federal exclusion in most cases, so people who are exempt from the federal tax can be exposed to state-level estate taxes.

We practice in Pennsylvania, and fortunately, there is no state-level estate tax in the Keystone State.

However, our neighbors in New Jersey and New York have state-level estate taxes. If you own valuable property in one of these states, the estate tax in that state could be applicable.

Though we do not have a state-level estate tax, Pennsylvania is one of just six states with a state level inheritance tax. There is no federal inheritance tax.



SUMMARY

Medicaid is important to many seniors who were qualified for Medicare, because Medicaid will pay for long-term care. There are asset and income limits that

govern eligibility, but the healthy spouse is entitled to certain property rights.

To get all the facts, schedule a consultation with a licensed elder law attorney.

REFERENCES

LongTermCare.gov

<http://longtermcare.gov/>

Nolo

<http://www.elderlawanswers.com/key-medicaid-information-for-pennsylvania-for-2015-12222>

About Flood & Masiuk, LLC



Marianne Flood

As the founder and managing partner of the Southampton, Pennsylvania law firm of Flood & Masiuk, LLC, Marianne Flood oversees a practice devoted to providing clients with personalized service and counsel in all aspects of estate planning.

Because of Ms. Flood's deep commitment to the specialty of estate planning, she became a member of the American Academy of Estate Planning Attorneys in April, 2000. Her entire private practice has been devoted to helping families of

all ages and backgrounds.

Joe Masiuk

As a partner in the law firm of Flood & Masiuk, LLC, Joseph Masiuk is committed to, a practice which provides people of all ages and walks of life with thoughtful and comprehensive solutions in Estate Planning, which includes Elder Care, Medicaid and Special Needs Planning.

Today, Mr. Masiuk is a widely noted speaker, author and seminar leader on topics ranging from estate and Medicaid planning to asset protection for traditional and GLBT couples and families.

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