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TO ALL CLIENTS OF MINCEY-CARTER, PC

RE: Estate Tax Developments

As you may be aware, the federal estate and generation-skipping transfer taxes expired effective January 1, 2010, and, in accordance with current law, are scheduled to be reinstated in 2011 with an estate tax exemption of \$1,000,000 (as opposed to the \$3,500,000 exemption amount in effect in 2009). In addition to the expiration of these taxes, very complicated income tax basis rules became effective which, in most circumstances, have the effect of "carrying over" a decedent's basis in assets to those who inherit the property. Attached to this letter is a brief summary of the major estate tax law changes which took effect at the beginning of this year. **Please note that these changes affect nearly all of our clients' existing estate plans in some manner.** To further complicate the situation, it is unknown when or even if Congress will act this year to reinstate these taxes retroactive to January 1, 2010.

In the past, most estate plans were structured in such a way which took advantage of the prior tax laws, and commonly divided a decedent's estate into two portions: (i) the amount which could have, under prior law, passed free of any estate tax (\$3,500,000 in 2009 and scheduled to be \$1,000,000 in 2011, often referred to as the "exemption or credit equivalent" amount); and (ii) the remaining assets which passed to the surviving spouse either outright or in trust; thus deferring payment of any estate tax until the second spouse's death (pursuant to the "marital deduction"). If your documents were drafted using formulas containing these "tax concepts" (i.e., the estate tax exemption or credit equivalent and marital deduction), they will likely need to be amended. As mentioned above, the carrying over of income tax basis from a decedent to a beneficiary may create challenges to the reporting and disposition of assets at death and will likely necessitate revisions to your existing estate plan documents.

Because of the current uncertainty associated with future estate and generation-skipping tax law changes and the meaning of tax concepts included in your current documents, **we strongly recommend that you call our office (469-916-1980) to schedule a meeting or telephone conference.** We can then discuss your estate plan, goals and needs in more detail to insure that your assets will be disposed of in accordance with your wishes at the lowest tax cost possible.

We look forward to hearing from you.

Very truly yours,

MINCEY-CARTER, PC


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**SUMMARY OF ESTATE, GIFT, AND
GENERATION SKIPPING TRANSFER TAX LAWS FOR 2010 AND 2011**

Pursuant to the provisions contained in the Economic Growth And Tax Relief Reconciliation Act of 2001 (commonly referred to as "EGTRRA"), the federal estate and generation-skipping transfer taxes are not applicable for the period beginning January 1, 2010 and ending December 31, 2010. On January 1, 2011, the provisions of EGTRRA will "sunset", and these taxes will be fully reinstated with lower exemption levels and higher marginal rates (than those in effect in 2009). The following is a summary of federal estate, gift, and generation skipping transfer tax provisions during 2010 and 2011:

2010 (if taxes not reinstated retroactively to January 1, 2010)

- Estate Tax and Generation Skipping Transfer Taxes Not Applicable
- Gift Tax Remains in Effect (Exemption is \$1,000,000)
- Highest Marginal Gift Tax Rate equal to top individual income tax rate (i.e., currently a flat tax of 35%)
- Carryover Basis instituted with \$1,300,000 of aggregate basis increase allocable to any property, plus \$3,000,000 of basis increase allocable only to certain "qualified spousal property"

2011 (Sunset of EGTRRA Provisions)

- Estate and Generation Skipping Transfer Taxes Reinstated
- Estate and Gift Tax Exemption is \$1,000,000
- Generation Skipping Transfer Tax Exemption is \$1,000,000 (indexed for inflation)
- Highest Marginal Estate and Gift Tax rate is 55%, plus 5% surcharge to phase out benefit of unified credit on estates in excess of \$10,000,000