



## Generation Skipping Transfer Tax and 45% Gift Tax May be Reinstated as of December 3, 2010 Under Bill Introduced by Senator Baucus

### Clients Should Hold Off Making Taxable Gifts Pending Further Clarification

On December 2, 2010, Senator Max Baucus (D-Mont.) introduced the Middle Class Tax Cut Act of 2010 as an amendment to H.R. 4853, the Middle Class Tax Relief Act of 2010, which passed the House of Representatives on December 2, 2010. In addition to making the Bush tax cuts permanent for middle class taxpayers, the bill would re-instate the generation skipping tax effective as of the date of introduction, December 2, 2010. Sen. Baucus' bill would also raise the gift tax rate from 35% to 45% for gifts made on or after December 2, 2010.

We do not know if Sen. Baucus' amendment will move forward. Pending further clarification, we recommend that clients not make significant taxable gifts intended to be subject to a 35% gift tax, particularly any generation skipping gifts (i.e., gifts to grandchildren, more remote descendants, or non-family members more than 37 ½ years younger than the donor). We will keep you apprised of further developments.

Please feel free to call the attorney with whom you work if you have any further questions.

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