



Buckingham  
Financial  
Group, Inc.

### **July 2011 Financial Planning Strategies:**

As many of you know, on June 30, 2011 Governor John Kasich signed the bill to repeal the Ohio estate tax for those dying after December 31, 2012. The current Ohio estate tax is 6% of the estate over the amount of \$338,333 and 7% of the amount over \$500,000. As an example, an individual dying December 31, 2012 with a \$1 million taxable estate will pay approximately \$44,700 in estate taxes. Under the new law, on January 1, 2013 this amount will be zero.

It is important to keep in mind that although the repeal is permanent, it could be reversed in the future. Many have speculated the repeal will reverse the number of individuals who move to other states to avoid future estate taxes and actually increases total tax revenues. A 2011 study by the Ocean State Policy Research Institute (OSPRI) found that Rhode Island lost approximately \$9 million net tax revenues annually due to the estate tax.

In December of 2010, Congress also made many changes to Federal estate laws for 2011 and 2012. The federal gift and estate exemption amount was increased from \$1 million to \$5 million. Estates over \$5 million will be taxed at 35%.

The law also introduced a portability provision. Prior to passage, married individuals could inherit assets from their spouse tax free. However, if one spouse did not use the full amount of their federal exemption, it could not be combined with their spouse's amount. The portability provision allows the exemption amounts for a married couple to be combined. For example, assume an individual has a \$4 million estate. If he or she dies leaving \$2 million to his children and \$2 million to his or her spouse, the surviving spouse's exemption will be \$8 million under the current laws.

To receive portability, a Federal estate tax return must be filed on time, even if a tax is not due. There is speculation the IRS will release a "short version" of the current estate tax form for this purpose, though to date one has not been released. The portable exemption applies only to the most recent deceased spouse and it is not indexed for inflation.

The above federal laws apply only to 2011 and 2012. Currently, they are set to reverse in 2013. Keep in mind that although estate tax relief provides greater flexibility, estate planning is still as important as before to ensure your wishes are carried out in the future. Your documents and beneficiaries should be reviewed periodically and when significant life events occur. If you have not provided copies of your estate documents to our office, please do. As always, if you have further questions feel free to contact our office.

Sincerely,

Melissa L. Mueller, CFP®  
Vice President of Financial Planning

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