
Folks:

Quick-Take: The Vice President released her proposed economic and tax plan, in the form of the proposed American Housing and Economic Mobility Act of 2024 (sponsored by Senator Elizabeth Warren.) Since this is a campaign year, nothing will come of this proposed legislation, at least in 2024. However, the Bill does provide some insights into what proposed changes to the tax laws will be on the table if Ms. Harris is elected President in November.

Proposed Changes Affecting Estate Planning Strategies: Some key changes in the Bill, many of which will sound familiar as they came from President Biden's administration 2025 Budget Proposal, include:

Transfer Tax Exemption: An individual's federal estate and gift tax transfer tax exemption would be reduced to **\$3.5 million**.

Transfer Tax Rates: The federal transfer tax rates would increase from 40% to different scheduled rates, depending on the amount transferred, at **55%, 60% or 65%**.

Estate Surtax: A federal estate surtax of **10%** would be imposed on estates in excess of **\$1.0 billion**.

Grantor Retained Annuity Trusts: A GRAT would have a maximum duration of **10 years** with a mandatory minimum **remainder interest value of 10%**.

Grantor Trusts: A new provision would be added to the Tax Code [IRC 2901] that would, practically speaking, **eliminate the effective use of a grantor trust, by including the value of the grantor trust in**

the grantor's taxable estate.

Generation Skipping Transfer Tax: The GST tax would be imposed on **any transfer (direct transfer and taxable distribution) to an individual who is three or more generations below the grantor, without any GST exemption available to shelter it from the GST tax.**

Annual Exclusion Gifts: The federal gift tax annual exclusion would be reduced from \$18,000 to **\$10,000** with only **two annual exclusion gifts allowed per donor.**

Valuation Discounts: Valuation discounts would **disappear** with intrafamily transfers and other transfers of non-business interests, e.g., family limited liability companies.

Step-up in Basis: The step-up in income tax basis on inherited assets would **not be available for assets held in a grantor trust.**

Surtax: A couple of new income surtaxes would be imposed on trusts and estates with an adjusted gross income (AGI) over certain levels of income: a **5% surtax on AGI above \$200,000** and an additional **3% surtax when AGI exceeds \$500,000.**

Farm and Business: The value of a farm or business that is not subject to immediate estate tax (the estate tax is spread over 14 years) under IRC 2032A is **increased** from \$750,000 to **\$3.0 million.**

Conservation Easements: The amount that can be deducted for the value of a conservation easement is **increased** from \$500,000 to **\$2.0 million**, and the AGI limit on the deduction is increased from 40% to **60%.**

Conclusion: The proposed tax changes, all intended to generate additional tax revenues, are buried on about page 140 of the long and

complex Bill the primary focus of which is on making it easier to purchase a home.
