

HUTCHINGS BARSAMIAN

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Spring 2011

Dear Friends:

We are pleased to send you our enclosed 2011 Hutchings Barsamian Tax Advisory which highlights new tax law changes. We invite you to visit our website throughout the year for additional information at www.hutchingsbarsamian.com.

On December 17th, 2010 President Obama signed significant new tax legislation. This legislative action will impact your tax rate over the next two years. Under the Tax Relief Act of 2010, the estate tax which was phased out in 2010 returns with a lower tax rate of 35 percent (reduced from 45 percent) and a \$5 Million exemption per person for 2011 and 2012 **only**. Also, this amount is portable between spouses with proper planning. Starting in 2011, the gift tax is reunified with the estate tax with a lifetime exemption of \$5 Million per person at a tax rate of 35 percent.

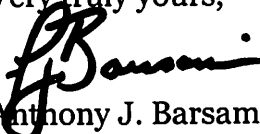
We have also included with this advisory the recent changes to the new Massachusetts Homestead Act. Under the new Act effective March 16, 2011, the Homestead protection limits have been changed. Residential property held in a trust may be protected under the Homestead Act. (See enclosure)

In our efforts to provide continued quality and a broader range of legal services to our clients, it is our pleasure to announce that Kaitlin Robinson, our newest associate, will be focusing her practice on Estate Planning, Probate Settlement, Business Succession Planning and Elder Law. Ms. Robinson has been with our firm for three years and is a graduate of Boston College and Suffolk University School of Law. She is active in a number of non-profits and currently lives in Kingston. Ms. Robinson is available to meet with clients on Cape Cod and the South Shore.

We welcome Kaitlin to our expanded legal team to better serve you. As always, Howard Mandelcorn, Michael Zeytoonian, Jeff Cohen, Lisa Sedrakian, Robert Feigin, Adam Kretowicz, Ted Hess-Mahan and Burt Isaacs also look forward to working with you to meet your growing legal needs. We wish you all a productive Spring and Summer.

If you have any questions or if you would like to schedule a consultation to review your personal or business plan, please feel free to contact us at 781-431-2231 or email your inquiry to me directly at abarsamian@hutchingsbarsamian.com.

Very truly yours,


Anthony J. Barsamian
Managing Partner

Enclosure

2011 HUTCHINGS BARSAMIAN TAX ADVISORY

On December 17, 2010, President Obama signed the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (hereinafter referred to as "The Tax Relief Act of 2010") into law. The Tax Relief Act of 2010 creates a variety of estate planning opportunities for our clients.

Summary of Changes

Gift Tax

One of the most significant provisions of the Tax Relief Act of 2010 is the increase of the federal gift tax exemption from \$1 million to \$5 million. The increased gift tax exemption allows married couples to make lifetime gifts of up to \$10 million without incurring gift tax. The law allows individuals who have made prior taxable gifts totaling \$1 million to make additional gifts of up to \$4 million during 2011 and 2012 without triggering gift tax (or couples who have made taxable gifts totaling \$2 million to make additional gifts of up to \$8 million).

Estate Tax

Under the new law, the federal estate tax exemption is increased from \$3.5 million to \$5 million for individuals who die in 2011 or 2012. Beginning January 1, 2012, the exclusion amount is adjusted for inflation in increments of \$10,000. Additionally, the federal estate tax rate is reduced to 35% for 2011 and 2012. However, the law has no impact on the state estate tax rate and exemption. As such, the Massachusetts estate tax exemption remains at \$1 million with a marginal tax rate of up to 16%.

The Tax Relief Act of 2010 introduces the concept of "**portability**" of the estate and gift tax exemption. Portability enables married individuals to gift up to \$10 million during life without triggering gift tax and allows a surviving spouse to "use up" any remaining portion of a deceased spouse's \$5 million estate and gift tax exemption. While portability creates many planning opportunities, it is important to note that the Tax Relief Act of 2010 is only applicable until December 31, 2012 and portability may not be extended after this date. The new law does not allow portability of GST exemption. Also, the Massachusetts estate tax exemption is not portable between spouses. Many of our married client's Living/Revocable Trust Plans eliminate the need to rely on portability. Additionally, a comprehensively designed Living/Revocable Trust will allow a couple better dispositive control of their assets, superior asset protection and avoidance of Probate upon death.

Generation Skipping Transfer Tax

The Generation Skipping Transfer ("GST") tax is imposed on transfers that skip a generation. For example, lifetime transfers from grandparents to grandchildren (assuming parents are still alive) are subject to GST tax as well as gift tax. For 2011 and 2012, the GST tax exemption is increased to \$5 million from the previous amount of \$3.5 million. The GST tax rate has been reduced to 35%. Therefore, until the end of 2012, individuals may transfer up to \$5 million during their lifetime to their grandchildren without incurring federal gift or GST tax.

What the Changes Mean for Your Estate Plan

The Tax Relief Act of 2010 allows for increased gifting opportunities for individuals who are contemplating significant lifetime gifts to children, grandchildren or more remote descendants. However, the Tax Relief Act of 2010 is only a temporary extension and the law is set to expire on December 31, 2012, unless Congress acts before then. Beginning on January 1, 2013, the federal estate and gift tax exemption is scheduled to decrease to \$1 million and the estate tax rate will increase to 55%. Therefore, there is a two-year window of opportunity to maximize estate planning strategies utilizing the increased gift and GST tax exemption of \$5 million (or \$10 million per couple) and the decreased 35% gift tax rate.

MASSACHUSETTS HOMESTEAD ACT

Under the new law, there is an automatic homestead protection of one hundred and twenty-five thousand dollars (\$125,000) with respect to a home that does not declare a homestead exemption with the Registry of Deeds.

In order for homeowners in Massachusetts to protect the value of their property up to five hundred thousand dollars (\$500,000) per residence, per family, you must file a document called a "Declaration of Homestead" at the Registry of Deeds in the county where the property is located.

The largest change in the new law pertains to homes held in trusts. Effective March 16, 2011 a holder of a beneficial interest in a trust is considered an "owner" and is thus now considered eligible for Homestead Protection. Thus, if your home is owned by a trust, it may qualify for Homestead Protection.

Additionally, the homestead exemption has been increased for elderly couples. If a couple qualifies for the elderly homestead protection (both individuals are over 62 years of age), the aggregate protection of the home can now amount to one million dollars (\$1,000,000).

Going Green...

In our continued effort to go green, if you would prefer to receive future Client Alerts via email, please email your name and preferred email address to Lisa Hyde at: lhyde@hutchingsbarsamian.com

In the subject line please be sure to write: **"add me to your email list"**.

In the alternative, if you wish to be removed from our mailing list please feel free to call or email.

Thank you!

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