

## Upcoming Events

**July 4:** Independence Day Holiday. Our office & the NYSE will be closed. Also, be advised that the markets close at noon on Monday, July 3rd.

**Aug 9:** Rhonda's Birthday!

**Sept 1:** DFP Annual Retreat. Our office will be closed.

**Sept 4:** Labor Day Holiday. Our office & the NYSE will be closed.

**Sept 10:** Kim's Birthday!

### Inside this issue:

Federal Estate Tax	1
Estate Tax — Continued	2
Will Your Property Avoid Probate?	2
Information Security News	3
DFP Happenings	4
Property Tax Exemption	4



## Dignum Financial Partners

Partnering with You

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# Future of the Federal Estate Tax

Due to the overwhelming response we had to our Estate Planning Seminar this month, we found this information to be timely.

While no one can predict the future, the possibility of tax reform is once again in the spotlight. If it occurs, it may very well include repeal of the federal estate tax and related changes to the federal gift tax, the federal generation-skipping transfer (GST) tax, and the federal income tax basis rules.

### History of the federal estate tax

In general, an estate tax is a tax on property a person owns at death. In one form or another, a federal estate tax has been enacted or repealed a number of times since 1797.<sup>1</sup>

Estate tax enacted	Estate tax repealed
1797	1802
1862	1872
1894	1902
1916	2010*
2011*	

*\*For 2010, the estate tax was repealed, but later retroactive legislation provided that an estate could elect to be subject to estate tax in return for a stepped-up (or stepped-down) income tax basis for most property. The estate tax was extended in 2011, with some changes.*

The estate tax has undergone many changes over the years, including the addition of a federal gift tax and federal GST tax during modern times. A gift tax is a tax on gifts a person makes while alive. A GST tax is a tax on transfer to persons who are two or more generations younger than the transferor. In recent years, property owned at death has generally received an income tax basis stepped up (or down) to fair market value at death.

*Continued on Page 2*

## Will Your Property Avoid Probate?

Which of the following property title options will **not** avoid the probate process when the owner passes away?

- A. Transfer of Death (TOD)
- B. Joint Tenants with Rights of Survivorship (JTWROS)
- C. Tenants in Common (TIC)
- D. None of the above

**Answer: C.**

Although TIC is a form of joint ownership, be sure you know the consequences before titling your property in this manner. TIC assets are required to go through the probate process, and there are no rights of survivorship. So, unless the deceased individual's will says the property should pass to the surviving owner, the property will go to the estate.

TOD and JTWROS registrations, however, will avoid probate. The entire asset will pass to the named beneficiary (in the case of TOD) or to the joint owner (in the case of JTWROS) at the owner's death.

Source: Commonwealth

## Federal Estate Tax —continued from page 1

During the 2000s, the estate, gift, and GST tax rates were substantially reduced, and the gift and estate tax lifetime exclusion and the GST tax exemption were substantially increased. The estate tax and the GST tax, but not the gift tax, were scheduled for repeal in 2010 (although certain sunset provisions would bring them back unless Congress acted), but legislation extended the estate tax and the GST tax in 2011. (For 2010, the estate tax ended up being optional and the GST tax rate was 0%.) The gift and estate tax lifetime exclusion and the GST tax exemption were increased to \$5,000,000 and indexed for inflation in later years. For 2013, the top estate, gift, and GST tax rate was increased to 40%, and the extension and modifications were made "permanent."

2017 Estate Planning Key Numbers	
Annual gift tax exclusion	\$14,000
Gift tax and estate tax basic exclusion amount	\$5,490,000
Noncitizen spouse annual gift tax exclusion	\$149,000
Generation-skipping transfer (GST) tax exemption	\$5,490,000
Top gift, estate, and GST tax rate	40%

### Federal estate tax

Repeal of the estate tax seems possible once again. If repeal occurs, it could be immediate or gradual as during the 2000s. Would it be subject to a sunset provision, so that the estate tax would return at a later time? All of this may depend on congressional rules on the legislative process, other legislative priorities, and the effect the legislation would have on the budget and the national debt.

### Federal gift tax

If the estate tax is repealed, the gift tax may also be repealed. However, it is possible that the gift tax would be retained as a backstop to the income tax (as in 2010). To some extent, the gift tax reduces the ability of individuals to transfer property back and forth in order to reduce or avoid income taxes.

### Federal GST tax

If the estate tax is repealed, the GST tax would probably be repealed (as in 2010). If the gift tax is not repealed, it is possible that the lifetime GST tax provisions would be retained, but the GST tax provisions at death repealed.

### Federal income tax basis

If the estate tax is repealed, it is possible that the general income tax basis step-up (or step-down) to fair market value at death would be changed to carryover basis (i.e., the decedent's basis before death carries over to the person who inherits the property). In 2010, a modified carryover basis (a limited amount of property could receive a stepped-up basis) applied unless the estate elected to be subject to estate tax. It is also possible that a Canadian-style capital gain tax at death could be adopted in return for a stepped-up basis for the property.

1. 2015 Field Guide to Estate Planning, Business Planning & Employee Benefits

Source: Forefield

## Information Security News: WannaCry, DocuSign Phishes, Cockpit Codes

As part of our ongoing efforts to help keep your personal information as safe as possible, we want to remind you to stay on the lookout for the many security threats making the rounds in cyberspace today.

Below, you'll find a few recent security-related articles from around the web. The goal of sharing these is to help keep you informed of what's going on in the world, so you can better defend against today's biggest security threats.

### Wanna Try to Dodge WannaCry?

May's WannaCry ransomware attack infected more than 200,000 computers across the globe, holding data ransom for \$300–\$600 per victim. What did all the victims have in common? All their Windows computers were missing a patch that Microsoft had rolled out in March. Be sure to update your Windows computers with patches when published and back up your important information.

### DocuSign Phishing Campaign

You may have heard about the DocuSign data breach last month. Luckily, the only exposed information was customer e-mail addresses; however, hackers are now sending targeted phishing attacks to those e-mail addresses in an attempt to compromise even more information from victims. These messages come from addresses such as **dse@docusgn.com** and **dse@docus.com**. Exercise extreme caution when clicking on links from DocuSign e-mails. If you have a DocuSign account, try accessing your documents directly by visiting [docusign.com](http://docusign.com).

### Information Security Gets Bumped Off Its Flight

It's easy to lose track of how much we share on social media. Recently, a United Airlines employee shared a photo of the inside of an aircraft—which inadvertently revealed the airline's universal cockpit access code to the public. Even if you've upped your social media privacy settings, keep in mind that once you post information it's probably posted forever. (And don't reuse passwords . . . or cockpit access codes.)

Source: *Commonwealth*

Next estimated  
tax payment deadline  
coming up:



If you are one of the many Americans that pay quarterly estimated tax payments to the IRS, make sure that those checks are in the mail by **September 15th!**

### Online Account Access

Need a copy of a statement? Looking for a trade confirmation? Filing an extension and lost your 1099 tax form?

All of these things and more are available online. Access your online account through our website: [www.dignumfinancialpartners.com](http://www.dignumfinancialpartners.com), and click on the "account access" button.



If you have never accessed your account online and would like to get started, please feel free to contact us. We will be able to get you all set up in less than 5 minutes!

Don't forget to follow us on Facebook and Twitter as well!



## DFP Happenings



Our Dignum Financial Partners annual retreat is September 1st—4th! We will be heading to Puerto Rico once again to refresh, do some team building and prepare for next year's client events. Our office will be closed during this time, reopening on Tuesday, September 5th at 8:00 a.m.

Speaking of client events... we recently sent out a client survey to help us in planning our events for next year. If you haven't already completed the survey, please take a few moments to do so. We value your input!



Our next DFP event will be a golf clinic on Friday, October 27th! We will send out more details the end of the summer!

## Property Tax Exemption

The Texas Homestead Tax Ceiling (also known as the over-65 tax ceiling) is a property tax exemption available to homeowners in the state. Homeowners who reach the age of 65 can have their property tax frozen in the year they reach the eligibility age. It is important to note, that the ceiling **ONLY** applies to the school district in which the homeowner's property is located and the residence must have been owned on the first day of the tax year. The home must also be the primary residence. It does **NOT** apply to city, county, hospital nor college taxes.

You can apply for the exemption on January 1 of the year you are turning age 65. You can find the form at <https://www.comptroller.texas.gov/forms/50-114.pdf>. Take it to the Appraisal District office in your area in lieu of mailing the form. This will ensure that the exemption is filed in the appropriate year.



4816 Bryant Irvin Court  
Fort Worth, TX 76107

Phone: (817) 989-1300  
Fax: (817) 989-1301  
[www.dignumfinancialpartners.com](http://www.dignumfinancialpartners.com)

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