

2010

2010 Federal Estate Tax Issues

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CORNHUSKER ECONOMICS

2010 Federal Estate Tax Issues

Estate planning is a very important topic for farm families. In 2001, President Bush signed legislation that reduced the Federal Estate Taxes until 2010, when it was reduced to zero. However, in 2011 the Federal Estate Tax will be reinstated, as indicated in the table on the next page. President Obama has proposed a permanent Federal Estate Tax exemption at the 2009 level, but that has not been acted upon by Congress. Other proposals range from a \$2 million exemption with a 55 percent top estate tax rate, to a \$5 million exemption with a 35 percent top rate.

Estate Planning Tip. A married couple can effectively double the amount their heirs inherit tax free through estate planning by having both parents split the estate between them, and each leave their half of the estate to the kids rather than to each other. A simplified approach would be for Mom and Dad to put the farm into a limited liability company (LLC), and give each parent half of the LLC. When the first parent dies, their half of the LLC would be put in a trust for the children, with the trust income going to the surviving parent. This first half of the LLC would be eligible for the full Federal Estate Tax exemption for the year in which the first parent died. When the second parent died, their share of the LLC would go to the kids, the trust would be dissolved, and the kids would own the LLC. The second half of the LLC would also be entitled to the full Federal Estate Tax exemption for the year in which the second parent died. Many variations of this model are possible, but this is the general idea. Splitting the estate like this can effectively double the amount of the farm that the kids inherit tax free.

Market Report	Yr Ago	4 Wks Ago	10/8/10
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$80.30	96.99	\$95.09
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	102.57	124.82	123.51
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	94.53	116.36	112.79
Choice Boxed Beef, 600-750 lb. Carcass.	134.46	160.84	152.42
Western Corn Belt Base Hog Price Carcass, Negotiated.	48.36	80.77	70.54
Feeder Pigs, National Direct 50 lbs, FOB.	*	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	52.93	90.56	82.94
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	92.00	146.25	144.00
National Carcass Lamb Cutout, FOB.	245.24	321.20	339.27
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	3.69	5.86	5.89
Corn, No. 2, Yellow Omaha, bu.	3.39	4.24	4.89
Soybeans, No. 1, Yellow Omaha, bu.	9.42	10.06	10.61
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	5.39	7.50	8.27
Oats, No. 2, Heavy Minneapolis, MN, bu.	2.39	3.22	3.64
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*	137.50	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	82.50	72.50	75.00
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	105.00	115.00	145.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	37.00	41.75	49.50
*No Market			

Year	Federal Estate Tax Exemption	Maximum Estate Tax Rate	Tax Free Inheritance Without Estate Planning	Tax Free Inheritance With Estate Planning
2001	\$675,000	55%	\$675,000	\$1.35 million
2002	\$1 million	50%	\$1 million	\$2 million
2003	\$1 million	49%	\$1 million	\$2 million
2004	\$1.5 million	48%	\$1.5 million	\$3 million
2005	\$1.5 million	47%	\$1.5 million	\$3 million
2006	\$2 million	46%	\$2 million	\$4 million
2007	\$2 million	45%	\$2 million	\$4 million
2008	\$2 million	45%	\$2 million	\$4 million
2009	\$3.5 million	45%	\$3.5 million	\$7 million
2010	unlimited	0%	unlimited	unlimited
2011+	\$1 million	55%	\$1 million	\$2 million

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