

US International Tax Alert

US Estate Tax Update

On December 6, 2010, US President Barack Obama and the Republican Congressional leadership tentatively agreed to work on draft legislation that would re-instate US estate tax, effective January 1, 2011, with an “exemption” of \$5 million US for US citizens and US domiciliaries and a maximum estate tax rate of 35%. The change would remain in effect for two years and the agreement would also extend the 15% maximum income tax rate on long term real estate capital gains for two years.

One of the results of the estate tax change would mean that Canadian residents that are nonresident aliens of the US would not be subject to US estate tax if their worldwide assets did not exceed \$5 million US at the date of death, and they had made no prior US taxable gifts. Potential estate tax benefits would also apply to certain citizens or residents of Germany, the United Kingdom and certain other countries with which the US has an estate tax treaty.

Caveat - this agreement is only one part of a wide ranging agreement on many other tax issues, the details of which must still be decided upon. Further, there appears to be substantial regret amongst many Democrats in Congress that the President has agreed to the overall package of tax issues.

Please contact us for further details.

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