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June 26, 2006

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ARE FEDERAL ESTATE TAX LAW CHANGES COMING SOON

On June 22, 2006, the U. S. House Of Representatives voted to increase the Federal Estate Tax Exemption to \$5 million per person beginning effective January 1, 2010. This exempt amount would be indexed for inflation in future years. Additionally, the legislation passed by the House provides for a "step up" in the income tax basis of inherited assets. The tax rate applicable to estates subject to the estate tax would be the same rate as the capital gains rate (currently 15%) on the \$20 million of the taxable estate over the \$5 million exemption. Estates over \$25 million would be taxed at twice the capital gains rate (30% under the current law).

The Wall Street Journal reported on June 23, 2006 that the Senate could take up the matter for vote as early as the week of June 26, 2006. Also, The Wall Street Journal reported that the Senate could turn to a measure proposed by Arizona Republican Senator Jon Kyle, who proposed that the top rate for the estate tax be set at 30%.

If this legislation is passed, the exemption for Federal Estate Tax in future years would be as follows:

2006 - 2008	\$ 2 Million
2009	\$ 3.5 Million
2010	\$ 5 Million
2011 and Later	\$ 5 Million Indexed for Inflation

The exemption for Tennessee Inheritance Tax remains \$1 Million per person.

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