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In contrast to some years, 2003 has been relatively quiet with respect to tax and state law changes in the area of estate planning. With growing deficits at both the Federal and State levels, however, we anticipate new tax legislation in the near future. As always, stay tuned!

FEDERAL TAX LAW

In 2004, the gift tax exemption will remain at its current amount of \$1 million. The gift tax annual exclusion amount will remain at \$11,000. The estate tax and generation-skipping transfer tax exemptions increase to \$1.5 million. The estate tax and generation-skipping tax exemptions are, under current law, scheduled to increase again in 2006.

FAMILY LIMITED PARTNERSHIP UPDATE

Recent cases in this area continue to illustrate the importance of setting up a partnership properly and maintaining it in the manner appropriate to this type of business entity. In previous newsletters we have outlined some of the administrative steps that every partnership should take upon formation, as well as some of the business practices it should maintain which are consistent with the identity of the partnership as a separate entity and its assets as partnership, rather than personal use, property. If you have any questions about your family partnership and its operations, it might be a good idea to schedule a meeting with us to talk about these issues.

TEXAS STATE LAW

Effective January 1, 2004, several new statutes will be added to the Texas Trust Code which may impact those serving as executors or trustees, as well as beneficiaries.

The Texas Uniform Principal and Income Act contains detailed default rules (which apply unless the applicable trust agreement or Will provides otherwise) regarding fiduciary accounting, including the categorization of various receivables as principal or income, the allocation of various expenses between principal and income, the allocation of income taxes between principal and income, and other related matters. If you are currently acting as Trustee of a trust requiring all income to be paid out, you may want to visit with us as to how these changes affect the operations of the trust.

The Texas Uniform Prudent Investor Act contains default rules regarding the new "prudent investor" standard of care for the management of trust investments. If you would like to receive a copy of either of these new Acts, please contact us.