TAX PAYMENT CALENDAR — OCTOBER 2021

Date			Completed
Payroll Date Sep 25 - 28 29 - 30 Oct 1 2 - 5 6 - 8 9 - 12 13 - 15 16 - 19 20 - 22 23 - 26 27 - 29 30 - Nov 2	Deposit Date Oct 1 6 6 8 14 15 20 22 27 29 Nov 3 5	Semi-Weekly Payroll Tax Deposits. Employers that are semi-weekly depositors generally must deposit taxes withheld and FICA taxes on payrolls paid on Wednesday, Thursday or Friday on or before the following Wednesday, and deposit taxes from payments on other days on or before the following Friday. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and fourth quarter (third quarter for September payroll deposits due in October).	
1	Michigan Annual Report for Non-Profit Corporations.		
11	Columbus Day Observance.		
12	Michigan sales and use tax deposit for month and quarter ended September 30 to claim early payment discount.		
15	Employers that are monthly depositors must deposit taxes withheld and FICA taxes on payrolls paid during September. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and third quarter.		
15	Corporations with fiscal year ending October 31, January 31, April 30, or June 30: • Deposit estimated federal income tax electronically. Indicate Form 1120 and Federal Tax Deposit.		
15	Corporations with fiscal year ending December 31, March 31, June 30, or September 30: • Pay CIT estimate to State of Michigan.		
16	National Bosses Day.		
16	Sweetest Day.		
20	Michigan Sales, Use and Withholding Taxes Return for the quarter and month ended September 30.		
25	State Employer's Quarterly Wage/Tax Report (Form UIA-1028). Pay to State of Michigan – Unemployment Agency.		
31	All Hallow's Eve.		
Nov. 1	Quarterly payroll reports and deposits: • Form 941 – Employer's Quarterly Federal Tax Return – deposit balance due electronically. Indicate Form 941, Balance Due on Return, and third quarter. • Federal Unemployment Compensation tax deposit for third quarter if the cumulative undeposited tax liability exceeds $ 500 – deposit electronically. Indicate Form 940 and 2021.		
Nov. 1	Corporations with fiscal year ending June 30: • File CIT return and pay balance due to State of Michigan.		

SEPTEMBER

SU	M	T	W	TH	F	SA
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

OCTOBER

SU	**M**	**T**	**W**	**TH**	**F**	**SA**
					1	**2**
3	**4**	**5**	**6**	**7**	**8**	**9**
10	**11**	**12**	**13**	**14**	**15**	**16**
17	**18**	**19**	**20**	**21**	**22**	**23**
24	**25**	**26**	**27**	**28**	**29**	**30**
31						

NOVEMBER

SU	M	T	W	TH	F	SA
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

OCTOBER 2021

PLANNING FOR A LOWER ESTATE TAX EXEMPTION (PART 3)

Our October newsletter is the final of a 3 part series discussing estate tax planning. This final issue explores using trusts in estate planning.

Trusts are an effective way to remove assets from an estate. There are a number of different types available depending on an individual's wishes and intentions. The individual must consider who should receive the assets and if the income generated from the assets is needed for cash flow purposes. To remove the assets from the estate, the grantor must gift a beneficiary a present interest in the assets. This can be done via Crummey powers of withdrawal, which create a present interest without distributions being made to a beneficiary.

Assuming the intent is not to distribute assets to a beneficiary until a later date, there are several different trust types that can be used. A complex trust (often used as an annual gifting trust) removes the assets from the estate, but poses the disadvantage of being subject to trust tax rates. For an individual who is generally not in the highest tax bracket, placing assets in a complex trust may result in portfolio income being taxed at a higher effective rate than if the income was reported on the individual's return. For 2021, the top tax bracket of 37% kicks in at only $ 13,050 for non-grantor trusts.

Grantor trusts are a way to solve the tax problem of complex trusts. With a properly structured grantor trust, the assets are removed from the estate, but income is reported on the grantor's individual return and taxed at the grantor's tax rate. Because the income is reported on the grantor's return, the tax is paid outside the trust. A complex trust must invade the corpus to pay taxes, which ultimately reduces what the beneficiary receives. The downside to the grantor trust option is that the grantor forfeits the right to receive any economic benefit from the assets.

Grantor Retained Annuity Trust (GRAT). A GRAT is an attractive vehicle to transfer the value of future asset appreciation to beneficiaries and reduce the estate while still allowing the grantor to keep the asset corpus. GRATs work as follows: the grantor transfers assets to the GRAT and receives annuity payments for the life of the GRAT (generally two or three years). Any appreciation in excess of the annuity payments is then distributed to the beneficiary. The GRAT works if the assets appreciated; if the assets did not appreciate, the GRAT is underwater and no assets will be distributed to the beneficiary.

The beauty of GRATs is that there is little to no downside to the grantor. If the market is up, the appreciation is transferred out of the estate with effectively no hit to the lifetime gift tax exemption. If the market is down, the grantor is in the same position as if the GRAT were never created.

For individuals whose taxable estates are near or over the estate tax exemption, GRATs can be an effective tool to move assets out of the estate over time and prevent years of asset appreciation from being ensnared in estate tax before ultimately passing to the beneficiary. With a lower estate tax exemption, GRATs may become a viable and attractive estate planning tool for even more taxpayers.

Potential Changes. Grantor trusts are frequently brought up in tax reform discussions because they allow grantors to remove assets from the estate while avoiding the higher trust tax rates. If Congress and the Biden administration choose to limit or eliminate grantor-type trusts, they may raise or remove the preferred long-term capital gain rate for individuals or otherwise discourage taxpayers from reporting income on their individual return instead of a trust return. Additionally, limits could be placed on GRATs and other types of trusts that allow for assets to flow to beneficiaries with little to no tax consequences.

So, how does the anticipation and speculation of upcoming tax legislation affect planning right now? Those considering transferring assets to grantor-type trusts or GRATs may wish to create the trust as quickly as possible before any legislation is passed that prevents or limits the usage of these trusts. It also is possible to create a longer-term GRAT (e.g., 10 years) to pass as much appreciation as possible to the beneficiary at the end of the GRAT term. The downside of this strategy is that the flexibility of a two-year GRAT is lost and the assets in the GRAT are tied up for 10 years until the last annuity payment is made to the grantor.