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Seasons Greetings



## “Tip of the Month”

### IMPORTANT CHANGES COMING in 2013

#### **1. Limited Liability Companies (LLC’s):**

With significant statutory changes on tap for 2013, Members and Managers of LLC’s should review their LLC documents to see if they might benefit from the new law and consider adopting certain provisions in the new legislative enactments. The new law, RSA 304-C (“New LLC Act”), becomes effective on Jan 1, 2013. It includes language that can strengthen existing LLC agreements in three critical areas: creditor protection, fiduciary responsibilities and dispute resolution.

The New LLC Act provides “charging order” and “pick your partner” terms not found in the Old Act. If properly implemented, the LLC Agreement can provide better protection from judgment creditors, bankruptcy trustees and divorcing spouses seeking Court orders to convey your ownership interests in the LLC. The New LLC Act also contains new fiduciary rules that are flexible, yet comprehensive, to clarify the duties of care and loyalty for Members. The New Act allows Members the right to resolve disputes with direct actions, such as filing a lawsuit in the New Hampshire courts, and avoid the more complex and expensive option of a derivative legal action.

The New LLC Act permits LLC Members to make the “Section 5 Election” to be governed by the New Act. While it is not for everyone, the Section 5 Election invoking the new statutory language should benefit most LLC’s.

#### **2. Estate & Gift Tax Changes:**

With the “Fiscal Cliff” looming over Washington DC and the nation, it is important to understand the current tax laws and what is set to happen if Congress does not act. Currently, the Federal Estate and Gift Tax rates are 35%, with a lifetime exemption of \$5,120,000 on the total amount of Estate and Gift tax amounts.

If Congress does nothing before December 31, 2012, the rates and exclusion are set to revert to pre-2002 levels, an Estate and Gift tax rate of 55 % and a lifetime exclusion of only \$1,000,000. These are significant changes from current law and may warrant a careful review of your estate plan and gifting strategy before the end of 2012, in order to take advantage of current law before the Bush era tax cuts are set to expire on December 31<sup>st</sup>.

If you need help understanding the pros and cons of the New Act for your LLC or how the estate and gift tax changes might impact your estate and/or gift planning, please call our attorneys at 603-668-1971 or contact us by email at *mailbox @ biz-patlaw.com*.

*Happy Holidays!*

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