

TAX TALK
BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION

ESTATE PLANNING – DO I REALLY NEED TO?

Now that April 15th is far enough in the rear view mirror that most of us have either received our refunds or paid our balances due, are there any planning opportunities that we should consider?

As part of your annual tax preparation, your preparer probably discussed your 2009 tax situation and advised you to either change your withholdings, make estimated tax payments or leave everything status quo, but did he/she ever discuss estate tax planning?

Do I really need to worry about estate planning?

Currently, estate planning for federal purposes is something that is applicable only to the wealthy. The federal unified credit is the amount of assets that a person can pass away with tax free. This amount is \$3,500,000 in 2009 and there is no federal estate tax for individuals that pass away in 2010. In 2011, however, this figure is slated to revert back to \$1,000,000.

When the federal unified credit is \$3,500,000 most people do not need to worry about estate planning. New Jersey residents, unfortunately, do still need to worry about such planning. While the federal unified credit number changes, the New Jersey figure of \$675,000 has remained the same and is scheduled to remain the same for the foreseeable future.

Even at \$675,000 – Is this a major concern for me?

The best answer I can give is that it could be. When an individual starts to total their assets such as their home, retirement accounts and life insurance policies it is not uncommon to reach the \$675,000 limit. New Jersey has a tax structure for estate taxes that taxes the first \$52,175 of assets over \$675,000 at a rate of 37%. The tax rate then drops to just under 5% and graduates upwards until it hits a maximum of 16%. The result of these taxes is that an individual passing away with \$1,000,000 in assets while they have no federal estate tax has a New Jersey estate tax of \$33,200. An individual with a \$2,000,000 estate would have New Jersey estate taxes of almost \$100,000.

Is there anything I can do to alleviate the New Jersey Estate Tax Burden?

TAX TALK
BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION

The good news here is yes. With appropriate planning many times estate taxes can be deferred and sometimes completely avoided. There are tax planning techniques that can be utilized while a person is alive that can reduce the burden of their tax upon their demise. These techniques could be as simple as changing the title on assets and as complex as setting up a number of different trusts. If you or you and your spouse together have assets in excess of \$675,000 it is a good idea to investigate these planning techniques,

Conclusion

This article discusses very general estate planning issues. Each situation is unique and as always if you're not sure of the rules, then check with a tax professional.