



ESTATE AND ELDER LAW NEWS FOR YOU

**“Protecting your
assets, earning your
trust”**

Volume III, Issue I
January/February, 2007

ESTATE PLANNING IN 2007

We are now in the annual transition period - the time after the holidays when we are still diligently intending to honor our New Year's resolutions. Before too much time has elapsed, and your resolve begins to fade, make plans to address your estate planning needs so that your loved ones will be protected. If you still need more incentive, here is a quick reminder of the estate and gift taxes facing all of us in 2007. With proper planning you may be able to reduce, if not eliminate, your tax bill.

ESTATE TAXES

A. Federal Tax

For the year 2007, the maximum federal estate tax rate is 45%. The first \$2 million of an estate is considered the Applicable Exclusion Amount and passes free of taxes (the Applicable Exclusion Amount increases to \$3.5 million in 2009, estate taxes are repealed in 2010 and the Exclusion Amount drops to \$1 million in 2011). If your estate exceeds \$2 million, without prior planning, almost half of your estate in excess of \$2 million may be payable to the federal government.

Everyone is entitled to the Applicable Exclusion regardless of citizenship. Additionally, any part of the estate bequeathed outright to a spouse or to a qualified trust for the benefit of a spouse who is a U.S. citizen is taxed deferred. However, only the first \$125,000 in excess of the Applicable Exclusion Amount, if left to a non-U.S. citizen, is tax deferred. For non-U.S. citizen spouses, the entire estate may be taxed deferred if transferred into a qualified trust. “Tax deferred” means that the government does not tax the estate of the first spouse to die; rather, it waits and taxes the estate of the surviving

spouse upon his or her death.

B. New Jersey

For New Jersey residents dying in 2007 with a \$2 million estate, the New Jersey estate tax would be approximately \$100,000 (even though there would be no federal estate tax). Similar to the federal tax schedule, New Jersey grants an Exemption Amount. For estates under the Exemption Amount there are no taxes due. The Exemption Amount in New Jersey is \$675,000 (unlike the federal exemption, New Jersey's Exemption Amount is not scheduled to change).

For example, consider a New Jersey couple having an estate worth \$3 million. Husband dies this year leaving everything outright to Wife, who is a U.S. citi-



zen. Upon Husband's death there would be no Federal or New Jersey estate taxes because of the marital deferment. However, assume Wife dies next year leaving an estate of slightly less than \$3 million, not having had an opportunity to spend or gift down the estate. Without any prior planning, upon Wife's death, the Federal estate tax would be approximately

**GOLDSTEIN &
CORNICK, LLP**

210 East Main St.
Somerville, NJ
08876

155 Livingston
Avenue
New Brunswick,
NJ 08901

(908) 253-0404
www.goldsteincornick.com

Member National
Academy of Elder
Law Attorneys



...without
prior plan-
ning, almost
half of your
estate in ex-
cess of \$2
million is pay-
able to the
federal gov-
ernment.

ESTATE PLANNING IN 2007

\$450,000 and the New Jersey estate tax would be approximately \$190,000.

GIFT TAXES

A. Federal

The IRS taxes gifts. The tax giver is liable for the tax. The annual gift exclusion is \$12,000 per person, per year. In other words, in year 2007, anyone can gift to as many different people amounts not exceeding \$12,000 per person without incurring any gift tax liability. There are exceptions for medical and educational expenses and gifts to U.S. citizen spouses. Any gifts in excess of the \$12,000 limit are credited against a \$1 million Lifetime Exemption. The Lifetime Exemption is part of the previously discussed Applicable Exclusion Exemption. Therefore, the Applicable Exclusion available to a decedent's estate is reduced by the amount of the gifts given during the decedent's lifetime. Gifts are taxed at the same rates as estates.

B. New Jersey

New Jersey has no gift tax.

Unless you took care of your estate planning in 2006, estate planning should be on everyone's list of New Year's resolutions. If you have done planning in the recent past then a quick review of your documents and assets may be all that is in order to determine if circumstances have changed requiring a change to your documents. If you have never done planning, or have not done planning for some time, planning should be at

the top of your resolution list next to dieting and spending more time with family.

Regardless of your age and the size of your estate, every adult should have a will (1) to reduce the time and expense of probate, (2) assure that your assets are left to the individuals you want to receive them and in the amounts you want to leave and (3) provide for minor children by naming a Guardian and Trustee.

In addition to the Last Will and Testament, every adult should have a Power of Attorney and Living Will/Advanced Directive; which will be addressed in a future newsletter.

We wish everyone a healthy and prosperous New Year.



**Please contact this office at
(908) 253-0404 if you would like
to have our attorneys speak to your
organization on any issues
involving estate or**

GOLDSTEIN & CORNICK, LLP

ATTORNEYS AT LAW
210 EAST MAIN STREET
SOMERVILLE, NJ 08876