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Attorneys At Law

WINTER 2002 UPDATE

- **Increase in Applicable Exclusion.** Effective January 1, 2002, the Applicable Exclusion from Federal Estate & Gift Tax is $1,000,000 per person. This is an increase of $325,000 from the old threshold of $675,000. This "Applicable Exclusion" may be used during lifetime or at death. It will be absorbed during lifetime to the extent that an individual makes "taxable gifts." Taxable gifts are generally gifts to someone other than a spouse that exceed the annual $11,000 per donee gift tax exclusion (discussed below) or any other available exclusion or deduction, such as the unlimited exclusion for direct payments of a donee's educational or medical expenses, or the deduction for charitable gifts. To the extent that the Applicable Exclusion is not used during lifetime, it is available to offset any Federal Estate Tax due at death. Those of you who have used some or all of your $675,000 Applicable Exclusion will now have additional amounts with which to plan. ***Please contact us to discuss the most tax-effective means of taking advantage of the additional Exclusion***.

- **Increase in Annual Gift Tax Exclusion.** The IRS, in its infinite benevolence, allows individuals to transfer up to $10,000 per year ($20,000 per couple) to as many individuals as they like (relatives and non-relatives alike) without any Estate or Gift Tax consequence. Beginning January 1, 2002, a good thing just got better- you may now transfer $11,000 per donee ($22,000 per couple). This may not seem like much of a benefit, but if your annual gift-giving program is conducted through a ***Family Limited Partnership*** or ***Family Limited Liability Company,*** the impact of discounting will enhance the benefit of the additional exclusion. Please contact us to determine whether these techniques should be part of your estate planning program.

- **Section 529 Plans Keep Getting Better.** As discussed in our Fall 2001 Update, "Section 529 Plans" are now, thanks in large part to the 2001 Tax Act, the college savings vehicle of choice. One disadvantage is that the chosen investment strategy can only be changed in limited circumstances. However, the IRS recently issued a Notice which indicates that the final regulations on Section 529 Plans are expected to permit a change in investment strategy once per calendar year and upon a change in the designated beneficiary. ***Note also that corporations are now establishing and contributing to Section 529 Plans on behalf of the children of their employees.*** Be sure to find out if this valuable benefit is available at your company.

WE ARE PLEASED TO ANNOUNCE THAT WE NOW HAVE A SATELLITE OFFICE IN MANHATTAN AT 11 PENN PLAZA (See Details Below)

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