

VIZZONI & COSTELLO, L.L.C.

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Attorneys At Law

WINTER 2005 UPDATE HAPPY NEW YEAR!

- **VIZZONI & COSTELLO, L.L.C. CELEBRATES ITS FIVE YEAR ANNIVERSARY.** It seems like yesterday, but Vizzoni & Costello, L.L.C. has now been in business for five years! The firm was formed with a philosophy grounded in the practice of law with honor, diligence and efficiency, and the development of lasting relationships with our clients based on mutual respect. We believe that the enormous success of the firm is a direct result of our commitment to that philosophy during our steady growth over the past five years. We thank you for allowing us to be of service to you, and we look forward to continuing to do so for many years to come.
- **Federal & NJ Estate Tax Exemptions Remain at 2004 Levels.** The amount which each individual can pass to heirs free of Federal Estate Tax remains at the 2004 level of \$1,500,000 (\$3,000,000 per married couple with proper planning), and the amount which each individual can transfer by gift during lifetime also remains at \$1,000,000. We expect a renewed push by the Bush Administration to further modify the Federal Estate Tax, and we will keep you apprised of developments in that area. Regardless of any further modifications to the Federal Estate Tax, it appears that at least for the foreseeable future, the New Jersey Estate Tax will remain a permanent part of the tax landscape for all New Jersey residents with assets in excess of \$675,000.
- **2004 Tax Bill Makes Dramatic Changes to Taxation of Deferred Compensation.** The American Jobs Creation Act of 2004 made dramatic changes to the rules governing the taxation of deferred compensation arrangements. The goal of the new rules is to curb what Congress perceived to be abuses in these arrangements, particularly where participants received too much control or access to the deferred compensation benefits. Any plans which violate the new rules will result in the acceleration of taxable income to the employee (even though the employee may not yet have the right to receive the deferred compensation under the plan), plus a 20% penalty. Naturally, all existing plans must be reviewed, and new plans must be designed to conform to the new rules.
- **NJ Recognizes "Pet Trusts".** ATTENTION PET LOVERS- as a reminder, New Jersey has enacted legislation that recognizes trusts for the care of domesticated animals. Before the passage of that legislation, the validity of these trusts was somewhat uncertain. Let us know if you would like to incorporate one of these trusts into your estate plan.