

Planning for the future may minimize estate tax liability

BY MARTIN C. DAKS

Business owners who start planning now may be able to minimize the taxes on the wealth they pass on to their heirs, some experts said. But the window of opportunity is shrinking, and may close at the end of 2012.

Right now, there's a \$5 million exemption for the estate tax, a separate \$5 million exemption for the generation-skipping tax and a \$5 million gift tax exemption, said **Deirdre R. Wheatley-Liss**, a tax attorney and shareholder in the Parsippany-based law firm **Fein, Such, Kahn & Shepard**.

"Certain people can take great advantage of these exemptions, but they should start to plan now," she said. "Congress may change them by the end of 2012, and we can't be sure what the new rules will be."

If nothing's done, the exemptions for the three types of taxes will each fall back to \$1 million, and the highest tax rate for each will rise to 55 percent.

She's concerned politicians may wait until the last minute to act, then pass a bill in haste, as they did after the estate tax and the generation-skipping tax expired at the beginning of 2010 as part of the **George W. Bush**-era tax cuts. Congress put them on the back burner as politicians grappled with a host of other issues, only to pass the current rules in December 2010 as part of a last-minute bid to strike



a budget deal.

"This represents a great opportunity for family-business owners to transfer wealth with minimal tax costs," Wheatley-Liss said. "But they've got to start planning now."

But today's low tax rates shouldn't be the only factor in estate planning, said **Ken-**

neth G. Hydock, the member in charge of tax services at Livingston CPA firm **Sobel & Co. LLC**.

"If you're 50 years old with a \$4 million estate, don't give it all away this year," he said. "You have to consider how much money you'll need in future years."

Instead, he said, business owners might

consider transferring a stake in their company to their heirs.

"There are different ways to structure the transfer," he said. "When it's done right, you not only minimize the tax, but you can also minimize the possibility of family strife."

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