



MARSHALL LOEB'S DAILY MONEY TIP

## Planning your estate around a changing tax

By *Marshall Loeb*, MarketWatch

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**NEW YORK (MarketWatch) -- Estate planning is becoming ever more complicated by repeated efforts to alter the estate tax -- something both Democrats and Republicans want to do.**

Current law excludes estates worth \$2 million or less, going up to \$3.5 million in 2009. Above that heirs can face a tax rate of as much as 46% this year.

The entire tax is supposed to disappear in 2010 (seniors, keep one eye on your children) before returning to tough pre-2001 levels -- an exclusion of only \$1 million and a top rate of 55%.

That sounds like a hefty burden but most Americans -- 99.5% -- don't pay any estate tax at all.

Repealing the tax altogether has long been a pet project of some Republicans. A bill to do that failed last month in the Senate. In the wake of that vote Republicans have proposed more reasonable changes that would raise the exclusion, lower the tax rates or both, keeping more Americans out of the tax's crosshairs while preserving much of the revenue it produces from the ultra-wealthy.

But neither bill has become law yet so unless you plan to die in 2010, avoiding the tax involves some guesswork.

Lonnie Davis, director of the tax services group in the Philadelphia office of CBIZ Accounting, Tax & Advisory, says the consensus among tax experts is that the estate tax will be changed but not repealed.

For his firm's high-net-worth clients -- the fabulously wealthy with tens of millions of dollars -- that means estate planning as always, using trusts and other vehicles to move as many assets as possible out of their names before they die.

But for those on the margins, who may end up with estates of a few million dollars, he warns against expensive tax-avoiding strategies. If the individual exclusion is pushed to \$5 million, as the new bills propose, a married couple will be able to pass on a \$10 million estate tax-free. In that case, all the planning would have been for naught, so Davis advises clients to take a wait-and-see approach.

A good reason to do estate planning anyway: many states impose their own estate taxes -- some as high as 15%.

*Marshall Loeb, former editor of Fortune, Money, and The Columbia Journalism Review, writes "Your Dollars" exclusively for MarketWatch.*