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Phaseout and Repeal of Estate and GST Taxes

Having started in 2002 and continuing through 2009, the top estate-and gift-tax rates will be gradually reduced, and the unified credit effective exemption amount for estate-tax purposes and the GST tax exemption will increase in steps.

In 2002, the 5% surtax and estate-and gift-tax rates in excess of 50% were repealed, and the unified credit exemption amount was increased to \$1 million. (This amount will stay in effect for gift-tax purposes in 2004 and later years.) In 2002, the state death tax credit was reduced by 25% and will continue to be reduced annually until it is repealed in 2005 (to be replaced at that time by an estate-tax deduction for state death taxes).

In 2010, the estate and generation-skipping transfer taxes will be repealed. The top gift-tax rate will be equal to the highest individual income-tax rate (scheduled to be 35%).

The accompanying table shows the exemption increases and the highest rates.

<i>Calendar Year</i>	<i>Estate and GST Tax Transfer Exemption</i>	<i>Highest Estate and Gift Tax Rate (and GST Tax Rate)</i>
2002	\$1 million	50%
2003	\$1 million	49%
2004	\$1.5 million	48%
2005	\$1.5 million	47%
2006	\$2 million	46%
2007	\$2 million	45%
2008	\$2 million	45%
2009	\$3.5 million	45%
2010	Taxes Repealed	35%*

* Gift-tax rate equal to highest individual income-tax rate.

We at LoFaro & Reiser, LLP, would be happy to discuss with you the effect of the foregoing tax law changes on your estate and formulate an estate plan that comports with your wishes and minimizes your attendant tax consequences.'