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Federal Gift and Estate Tax Laws:

As we have told you each year for a number of years, the estate and gift tax rules we have in place are temporary and are scheduled to expire at the end of 2009. As it currently stands, 2010 is an estate tax free year, but the estate tax is scheduled to reappear at the stroke of midnight on December 31, 2010, meaning we would go back to the $1,000,000 exemption in effect prior to 2004.

For now, the Federal Gift Tax exemption will remain at $1,000,000 and the Estate Tax and Generation-Skipping Transfer Tax exemptions will remain at $2,000,000 per decedent. An automatic increase to $3.5 million dollars is scheduled for January 1, 2009, but few people know what to expect from the new Congress. Unfortunately, we have to repeat what we have been saying for many years, "Stay tuned".

IRA Rollover Changes:

Beginning 2007, the Pension Protection Act permits a non-spouse designated beneficiary of a qualified retirement plan to rollover into an inherited IRA by direct Trustee-to-Trustee transfer. That new provision allows beneficiaries to preserve their flexibility to take lifetime distributions.

Charitable Provisions:

Good News, if you are over 70½! For tax years 2006 and 2007 only, each taxpayer (over age 70½) may gift up to $100,000 per year from their IRA to a qualified public charity without including the gifted amount in gross income. The recipient charity must be a qualifying public charity (not a donor-advised fund, supporting organization, nor private foundation) and the distributions must be a direct trustee (i.e., broker)-to-charity transfer; you cannot touch the money! Only distributions from IRA's are eligible for this special treatment, and these qualified charitable distributions are counted toward an individual's annual minimum distribution requirement.

Bad News! Now it will be tougher to qualify for charitable deduction of household goods and clothing. The items must be in "good used condition." Furthermore, if a single item is valued at more than $500.00 then a qualified appraisal must be attached to the donor's tax return. After 8/17/06, to receive an income tax deduction for cash contributions, the donor must have a bank record (check) or other written communication from the charity acknowledging the donation.

HAPPY HOLIDAYS AND BEST WISHES FOR A PROSPEROUS 2007!