

Estate Planning To Avoid New Jersey Death Taxes

by Darren M. Baldo, Esq., CPA, LLM

New Jersey remains one of the most oppressive taxing states in the U.S. We must remain vigilant to uncover all possible legitimate tax savings strategies. In addition to the taxes you pay during your life, you may have to pay taxes when you die, unless you plan carefully to avoid them.

New Jersey has two types of death taxes (taxes to pay on your **assets** when you die): **inheritance tax and estate tax**. Both taxes have maximum tax rates up to 16%. Because most people leave their assets to their spouse, children, and grandchildren, their estates are exempt from the **inheritance tax**. This exemption also applies to bequests to parents, grandparents, or a charity.

The **estate tax**, on the other hand, only provides an exemption in a dollar amount of \$675,000 for all estates with a deduction for bequests going to the spouse or a charity. So estates that have a value of \$675,000 or less will not be taxed regardless of the beneficiary. But, after deducting bequests to the spouse and charities, there will be an estate tax unless the estate is \$675,000 or less. The bad news about the estate tax is that bequests to children or grandchildren are not afforded an exemption or deduction.

The good news is that with the proper estate plan implemented through my law office, it's possible to save your

<u>Estate Amount</u>	<u>NJ Estate Tax</u>	<u>Savings With Estate Plan</u>
\$1 million	\$33,200	\$33,200
\$2 million	\$99,600	\$46,400
\$3 million	\$182,000	\$57,200
\$4 million	\$280,000	\$81,200
\$5 million	\$391,600	\$114,000
\$10 million	\$551,800	\$284,000

family up to \$33,200 on an estate of \$1 million, or up to \$284,000 on an estate of \$10 million (depending on the assets and beneficiaries of the estate). The chart above shows the estate tax and possible tax savings for certain applicable estate plans.

The most recent proposal may increase the **federal** estate tax exemption to \$5 million per person. If such an increase is enacted, we should obviously plan to save **federal** estate taxes as well when assets and life insurance exceed \$5 million. This article, however, only covers the NJ estate tax.

You must plan carefully in order to maximize these tax savings. A will and a trust may be absolutely necessary to achieve these amounts of tax savings. Also, a careful review of your assets and life insurance is required because life insurance may require special planning considerations and techniques.

Call my office to schedule an appointment for a **free initial confidential consultation**. Your estate plan could turn out to be the best gift you've ever given to your family. But, if not done correctly, the taxes you



unnecessarily pay could be the most regrettable posthumous gift you've ever given the New Jersey Division of Taxation.

Darren M. Baldo, Esq., CPA, LLM is an attorney who focuses on estate planning, asset protection, estate administration, estate litigation, wills, trusts, estate and gift tax planning, business law, contracts, bankruptcy, collections and employment law. Call 609-799-0090 to schedule your **free initial confidential consultation**. Also visit www.dbaldolaw.com for more information.

With a proper estate plan implemented through the law office of Darren M. Baldo, it's possible to save your family thousands of dollars in death taxes.