



[Newspaper Subscription](#)

SECTIONS

- [Breaking News](#)
- [Front Page \(Image\)](#)
- [World](#)
- [National](#)
- [Local & State](#)
- [Obituaries](#)
- [Business & Stocks](#)
- [Technology](#)
- [Sports](#)
- [SV Life](#)
- [Entertainment](#)
- [Opinion](#)
- [Weekly Sections](#)
- [Special Interests](#)
- [Columnists](#)
- [Comics](#)
- [Weather](#)
- [SV Magazine](#)

CLASSIFIEDS & SERVICES

- [Classifieds](#)
- [Jobs: CareerPath](#)
- [Homes: HomeHunter](#)
- [NewHomeNetwork.com](#)
- [Apartments.com](#)
- [Mortgage Link](#)
- [Home Improvement](#)
- [Home Valuation](#)
- [Cars: Cars.com](#)
- [Personals](#)
- [Yellow Pages](#)
- [BayArea.com](#)
- [Entertainment: Just Go](#)
- [S.F. Bay Traveler](#)
- [Online Radio](#)
- [Archives: NewsLibrary](#)

Front Page

The San Jose Mercury News

Published Saturday, July 15, 2000, in the San Jose Mercury News

• **Impact:** Repeal holds out little benefit to estates under \$4 million.

BY MARK SCHWANHAUSSER
Mercury News

As you move from Capitol Hill to Main Street, the discussion of the push to repeal the estate tax shifts from politics to the pocketbook.

Many wealthy taxpayers in Silicon Valley would be big winners if President Clinton tucked his threatened veto back in his pocket and allowed the bill the Senate approved Friday to become law.

But don't expect such a repeal to put estate planning experts out of business. To the contrary, estate planners, CPAs and others say repealing the estate tax would change little for taxpayers with "small" estates of about \$4 million or less as it's phased in over a 10-year period.

"It may create as many problems as it would solve," said Melvin J. Kreger, a North Hollywood attorney who specializes in estate planning and trust law. "It would do away with the estate tax, but it would be doing away with it 10 years from now. . . . There's nothing we could change today based on that new law except to cross our fingers and hope they have life support to keep them around."

In particular, experts say repealing the estate tax would benefit only the wealthiest Americans, would not alter current gifting strategies and could hammer charities who benefit when taxpayers look for ways to cut estate taxes.

ADVERTISEMENT



Related Links

- [Front Page \(Image\)](#)
- [Special Reports](#)
- [Seven-Day Archives](#)

[E-mail Dispatches](#)[Contests & Events](#)**ABOUT US**[Mercury Center](#)[Advertising Information](#)[Privacy Policy](#)[Site Index](#)[San Jose Mercury News](#)[Advertising Information](#)[Newspaper Subscription](#)[Mercury News Jobs](#)

And eliminating the federal estate tax could trigger some states to impose estate taxes of their own, Kreger said.

"I'm going to be looking more at income-tax issues" rather than estate-tax issues, he said, "but I don't think my business will be disappearing. I'll be looking at 50 states and their tax schemes."

Nonetheless, it's easy to understand why talk of repealing the estate tax would resonate in Silicon Valley. Here, simply owning a home puts you on the radar screen for estate taxes. You can quickly exceed the \$675,000 exemption (which is scheduled under current law to rise to \$1 million by 2006) when you throw in such things as stock, stock options, your 401(k) and certain life insurance policies.

'It's the stock'

"For middle Americans, it's more the house, the 401(k) and the life insurance," said Jim Seidel, managing editor of RIA, a New York-based provider of information for tax professionals. "But for Silicon Valley . . . it's the stock more than anything else."

But many taxpayers overlook or underestimate the value of other assets that add to their estate, including certain pension benefits, some types of annuities, the value of a small business -- even state lottery winnings, said certified public accountant Michael B. Allmon, managing partner of a firm bearing his name in Marina Del Rey.

As a result, you should start considering estate taxes if you have assets of more than \$675,000. A couple can protect \$1.35 million with some basic trust planning, and as much as \$4 million by adopting a family limited partnership and giving children stock smartly.

"People right now who plan can probably pass \$2 (million), \$3 (million) or \$4 million free of estate tax," Seidel said. "That doesn't put a dent in the really big estates, but for the average person that can work. The problem is the average person doesn't want to give away everything while they're still alive."

Gradual phase-in

Repealing the estate tax wouldn't change much for estates worth \$4 million or less, largely because the tax rates would ratchet down slowly until the repeal took effect in 2010. In 2001, for instance, most estates would see the top rate drop from 55 percent to just 53 percent.

But the repeal would mean more for larger estates. For example, it would eliminate a hefty 5 percent surtax on estates worth \$10 million to \$17 million.

Currently, the heirs of a couple with a \$10 million estate could face almost \$4.7 million in estate tax, assuming they did some planning, Seidel said.

If the tax were repealed, however, the couple could employ similar estate-planning techniques and fare far better. Their kids would owe no estate tax, saving them that \$4.7 million. And the sale of their parents' assets would be subject to capital gains rates -- typically 20 percent -- not estate tax rates as high as 55 percent.

Still, the real plum is that heirs who have the financial wherewithal could hold those assets and defer the capital-gains taxes indefinitely.

"Bill Gates' heirs won't have to be turning around and selling this stock," Seidel said. "If they continue to hold it, they'll continue to defer the gain."

Contact Mark Schwanhausser at mschwanhausser@sjmercury.com or (408) 920-5543.

▲ Back to top | San Jose Mercury News | Home | Site Index | Search | Feedback | Help | Customer Service



© 2000 Mercury Center. The information you receive online from Mercury Center is protected by the copyright laws of the United States. The copyright laws prohibit any copying, redistributing, retransmitting, or repurposing of any copyright-protected material. [Mercury Center privacy policy](#)

