

Are You Rich Enough?

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Estate taxes. You think you don't need to be worried about them because you're not rich enough – at least according to the Federal Estate Tax laws. You see, to be rich enough to be concerned about Federal Estate Taxes at your death, you would need to have an estate of over \$5 million dollars. For a married couple that number jumps to almost \$11 million dollars. That's a lot of money so, no, you're probably not rich enough to be concerned about estate taxes. Unless, of course, you live in New Jersey.

But wait – you do live in New Jersey. You like it here and have no plans to move anytime soon. And why would you? We have great culture, excellent food, fantastic schools, the shore... OK real estate taxes and auto insurance are a bit excessive, but moving is not an option.

So, what does it mean to be rich enough in New Jersey to be subject to New Jersey State Estate Taxes. Would you believe that according to New Jersey law, you are rich enough if you die with an estate of over \$675,000 that is left to someone other than a spouse? That's right. If you leave an estate of over \$675,000 to your children, or anyone else other than a spouse, and you are a resident of the beautiful Garden State, then your family gets the dubious pleasure of paying New Jersey Estate Taxes at rates ranging from 4.8% to 37%. In fact, the first \$60,000 of wealth in excess of \$675,000 is taxed at 37%. Once your estate is over \$727,175, the rates suddenly drop to 4.8% on the excess amount, only to gradually increase up to 16% on estates of slightly over \$10 million dollars.

And guess what. That's not the only tax that can be imposed on you if you die a resident of New Jersey. If you leave your estate to anyone other than a spouse, child, grandchild, parent or grandparent, your entire estate could be subject to yet another New Jersey "death tax" – the New Jersey Inheritance Tax. This tax is even more onerous than New Jersey's Estate Tax, as any such bequest over \$500 is subject to the tax, at rates between 11% and 16%. There is a modest exemption of \$25,000 for amounts left to siblings, and surviving spouses of predeceased children, and there is no tax on amounts left to charities. But every other bequest is subject to the inheritance tax. So single individuals

and widows/widowers who have no children need to be aware of this tax.

Short of moving out of New Jersey, is there something that you can do to minimize or eliminate these taxes? The answer is yes, but you need to plan ahead. A seasoned professional with an understanding of the state tax codes can advise you of ways to minimize, and possibly eliminate, these taxes. They can also offer valuable advice even if your estate is not large enough to be concerned about estate and inheritance taxes.

This relatively small investment in estate planning can go a long way to ensure that your heirs receive the maximum benefit from your estate.