



KILBOURN ASSOCIATES

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**Proposed Estate Tax Repeal Spawns Stealth Taxes
says Author and Estate Tax Expert E. Michael Kilbourn**

NAPLES, Florida (April 24, 2003) – According to a recent Association for Advance Life Underwriting (AALU) bulletin to members, last year's budget deficit of over \$159 billion and the looming deficit of over twice that amount for this fiscal year place in doubt whether any portion of the President's deficit-increasing tax package will get through the Senate's super-majority voting rules. AALU member and author of "Disinherit the IRS" (Career Press) E. Michael Kilbourn responded to the bulletin by saying, "Because we already have budget problems and are now coming out of a war, it is absurd to think that eliminating estate taxes at a time like this will help the deficit."

The bulletin emphasized the Association's support for estate tax reform, but also addressed the need for members to prepare for the President's repeal initiatives. "Instead of talking about the elimination of estate taxes, we should be preparing for possible fallout taxes," says Kilbourn, who specializes in softening clients' estate tax liabilities and wealth transfer options. "Even if Congress puts a stop to the President's proposed budget, the transfer tax code has already spawned an unpleasant offspring: **Stealth Taxes**." In fact, 17 states have already passed separate "uncoupled" state inheritance taxes. Then, there is the hidden capital gains tax cost – assets transferred at death no longer get a step up in basis; so when heirs go to sell the assets, they may have to pay a capital gains tax.

"There will likely be revisions to the President's proposal, as there has never been a budget that has made it through Congress unchanged. And other proposed cuts are more appealing to Americans, such as repeal of the so-called marriage penalty and elimination of the double taxation of dividends."

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“I predict that when the inevitable compromises are made, estate tax repeal may be out of the plan. Additionally, in light of the corporate accounting scandals, the lackluster economy, the deficits, and increasing unemployment rate, many representatives may find that they can’t vote to reward the richest Americans with a tax break and still face their constituency without consequences,” says Kilbourn.

Uncertainty concerning the future of estate taxes requires flexibility be built into estate plans. Clauses can be used in existing and new estate plans that creates the flexibility needed to respond to either a repeal or continuation of the tax. One concern involves changes for assets transferred at death.

“Disinherit the IRS,” is the only book currently on the market that takes the repeal issue into consideration and includes many safeguarding measures that counterbalance the effects of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001. By updating and republishing the book in 2003, Kilbourn was able to incorporate estate tax tables based on the new law, an easy to understand summary of the Final Regulations for IRA distributions, and new examples based on current tax rates, exemptions, and exclusions.

E. Michael Kilbourn is a Chartered Financial Consultant and author of many books on financial planning. Kilbourn Associates is located in Naples, Florida. To request a media kit or schedule an interview, contact Mollie Page Griffin at 239-455-6727 or visit www.kilbournassociates.com.

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