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Winter 2002

Where Success BeginsSM

WS+B WELCOMES NEW SHAREHOLDERS

WS+B is pleased to announce Bill Cadmus and Bob Van Arnum as the firm's newest shareholders. Members of WS+B's Technical Resources Department, Bill and Bob are responsible for performing technical reviews of all audit and review engagements and assuring the highest quality professional and ethical standards throughout the firm.

A graduate of Lebanon Valley College, Bill has over 30 years of public accounting experience and was formerly a staff accountant at PriceWaterhouse, New York City. He joined our Red Bank office as a principal in 1991. Bill is a member of the American Institute of Certified Public Accountants (AICPA) and New Jersey Society of Certified Public Accountants (NJSCPA). He also serves on the NJSCPA's Auditing and Accounting Standards Committee and is chairman of the Auditing/Assurance Services Subcommittee. Bill and his wife, Ruth, are active members of Trinity Bible Church in Wall, NJ. They reside in Brielle.

Bob joined WS+B in 1996 as a manager in the Technical Resources Department and is based in our New Brunswick office. A graduate of Seton Hall University, he has over 20 years of experience in private and public accounting and was a senior audit manager at KPMG Peat Marwick. He is a member of the AICPA and NJSCPA, and serves on the AICPA Joint Trial Board Committee. Bob and his wife, Deborah, live in Skillman with their sons Brad and David.

"I'm proud to be paying taxes in the United States. The only thing is — I could be just as proud for half the money." — Arthur Godfrey

REDUCE YOUR TAXES WITH YEAR-END PLANNING

By Harold E. Dahringer, Tax Associate

As you get ready to file your 2002 tax return, taking advantage of little-known tax strategies could help you greatly. You may owe Uncle Sam less than you thought or get a bigger refund than you expected, even if only one of these situations applies to you:

- Make a deductible IRA contribution of up to \$3,000, even if you have no earned income, when your spouse is the breadwinner and you manage the home front.
- Get tax-free gain from a home used as a rental property.
- Consider partial swap of an annuity contract, which is tax-free.
- Realize that it may pay for you not to claim a dependency deduction for a child in college but to claim the education credits on the child's return.
- Write off the cost of a professional development tutor as an education expense.
- Take advantage of no current tax or low tax on sales of qualified small business stock.
- Consider salary to help you write off business equipment from your sole proprietorship.
- Understand that although you may be entitled to the home-office deduction it may not be advantageous to claim it.
- Be aware that annual depreciation and expensing caps don't apply to heavy sport utility vehicles (SUVs) bought for business use.

New for 2002 — the following tax law changes may also be to your benefit:

- Revised tax rate structure including the top four brackets lowered by one-half of one percentage point, a new 10% bracket and an inflation adjustment for the 15% bracket
- Elementary and secondary school teachers allowed a deduction for classroom-related expenses
- Tax-free payouts from qualified tuition programs
- Coverdell education savings accounts contribution limits increased
- New deduction for higher-education expenses
- New tax credit for low-income savers
- Higher elective deferral limits for retirement plans
- Higher IRA/Roth IRA contribution limits
- Enhanced portability for tax-sheltered retirement funds
- Liberalized estate and gift tax rules

The WS+B Tax Department can help you understand and make the best of the newest tax law revisions. Please contact one of our tax specialists to discuss how the changes may affect you, your family and your business.



ALSO IN THIS ISSUE:

- New Jersey Estate Tax Decoupled
- Escheat Law Change
- Giving Through Your Local Community Foundation
- New Shareholders Announced

NEW JERSEY ESTATE TAX DECOUPLED — \$1,000,000 NO LONGER THE MAGIC NUMBER

By Christine G. Pronek, CPA, Tax Manager
Ted Nappi, CPA/PFS, CSEP, Senior Manager

As a result of a recent New Jersey tax law change, many estates that previously would not have incurred NJ estate tax may now be subject to it. New Jersey's tax law change is in response to the federal estate tax law changes made under the EGTRRA of 2001. Per the 2001 federal act, the federal allowable state credit for any state death taxes paid is reduced by 25% in 2002, 50% in 2003, 75% in 2004 and is fully repealed from 2005 to 2010. Under prior NJ law, the state estate tax was equal to the amount of the federal credit for state death taxes less any state death taxes (estate or inheritance) already paid. The reduction of the credit by the IRS would have ultimately resulted in a complete phaseout of estate taxes for New Jersey if the state did not respond with its own tax law changes.

Effective for decedents dying after December 31, 2001, NJ estate tax shall be computed based on the \$675,000 unified estate and gift tax applicable exclusion amount in effect under the provisions of the Internal Revenue Code in effect on December 31, 2001. Prior to the amendment of the NJ statute, a decedent with a taxable estate of \$1,000,000 or less would pay no federal or NJ estate taxes. With the new state law, the NJ estate tax will be due on taxable estates above \$675,000.

This change greatly affects the current estate planning technique of creating a credit shelter trust at the death of the first spouse based upon the maximum federal unified credit equivalent. Funding the credit shelter trust with the entire federal exemption amount (\$1,000,000 in 2002) will protect that amount from federal estate tax but the excess of the current federal exemption amount over the 2001 federal exemption amount of \$675,000 (the exemption amount for NJ estate tax) will be subject to NJ estate tax.

As a result of this, it is important for your estate plan to be reviewed to ensure that the appropriate language has been used to address the funding of the credit shelter trust. Please contact a WS+B tax or estate planning specialist for more information.

ESCHEAT LAW CHANGE — YOUR BANK ACCOUNT COULD BE SEIZED!

The newly amended NJ escheat law, effective immediately, generally reduces the dormancy period down to three years for items presumed to be abandoned, which include savings or time deposits, checks, drafts and individual retirement accounts (IRAs). Penalties for failure to report or deliver property as required have also been increased, and aggressive enforcement efforts are expected. Please take note of this law to ensure all of your financial institution accounts have activity in order to avoid the state taking possession of your assets under the escheat law changes. For additional information, contact the WS+B Tax Department.

GIVING THROUGH YOUR LOCAL COMMUNITY FOUNDATION – IS IT RIGHT FOR YOU?

By Kimberlee S. Phelan, CPA, MBA, WS+B Tax Shareholder
Ralph M. Serpe, PACF Director of Development

Community foundations have been around for almost 100 years, but their popularity as a means for personalized charitable giving is just being discovered in the New Jersey area – and they are now one of the fastest growing charitable giving options available today.

A community foundation is a tax-exempt public charity created by and for the people in a local area. It enables individuals with philanthropic interests to easily and effectively support the issues they care about, either immediately or through their will. Donors to a community foundation can establish a charitable fund by contributing a variety of assets and may also recommend grants (in their name, if they choose) to nonprofit groups they wish to support.

One such local community foundation, the Princeton Area Community Foundation (PACF), serves individuals, families and corporations in Central New Jersey by providing a flexible way to “give back.” Charitable fund options at PACF include:

- *Unrestricted grant-making funds* that address critical community needs
- *Advised funds* for donors who want to be involved in the grants process
- *Field-of-interest funds* that support a general area of charitable interest
- *Designated funds* created to support specific nonprofits
- *Scholarship funds* that support area students for special instruction or postsecondary education

Community foundation funds are an attractive alternative to starting a private foundation, since they handle all record keeping, IRS reporting, accounting, and investment management. They facilitate complicated giving strategies and, unlike private foundations, community foundation funds pay no set-up fee or excise tax on earnings. Donors also retain the option of remaining anonymous in their giving and granting.

Because they are locally based, community foundations have an in-depth understanding of your community's challenges and the groups and individuals addressing them. This expertise helps you, your children and family learn more about local issues in order to make your giving as effective as possible wherever you choose to give.

Whether you're a seasoned philanthropist or just getting started, your local community foundation may just be your best connection to a personalized charitable giving plan. To learn more about community foundation options, visit the Princeton Area Community Foundation at www.pacf.org or call your WS+B tax specialist.

The Journal is published by WithumSmith+Brown, Certified Public Accountants and Consultants, for clients and friends of the firm. The information contained in this publication is for informational purposes and should not be acted upon without professional advice. Please contact any one of our offices with your inquiries.
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