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WAYS TO AVOID OR REDUCE FEDERAL ESTATE TAXES

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These are the principal techniques available to reduce or eliminate federal estate taxes:

1. **The Unlimited Marital Deduction.** This technique avoids any federal estate tax on a transfer of property from a husband to wife or from a wife to husband; however, the effect is often to postpone the tax, to the death of the second spouse.
2. **Credit Shelter Trust.** By use of this technique, both spouses can fully utilize each of their \$2,000,000 unified credits.
3. **Lifetime Exclusion Giving.** Every person is entitled to gift up to \$12,000 per donee, to an unlimited number of donees, during any calendar year, without such gifts being subject to federal gift or estate tax, without the requirement to file a gift tax return, and without impacting a person's lifetime unified credit amount. Through a technique known as "gift splitting," married couples can give up to \$24,000 of jointly held property per donee per year. Gifts can be made in cash, or through other creative techniques, such as gifting shares in a Family Partnership set up for that purpose. (The \$12,000 gift exclusion amount applies in 2006 and will be adjusted in future years to take inflation into account.)
4. **Charitable Gifts.** You get a deduction for federal estate tax purposes for any property transferred to a qualified charity. These gifts can either be made outright, through a Charitable Remainder Unitrust (or Annuity Trust), through a Charitable Lead Trust, through charitable gift annuities, or through other creative charitable gifting techniques. Many such charitable gifting strategies are also income tax-advantaged. In addition, through the use of life insurance, the amount of the asset transferred to charity can be replaced through life insurance proceeds.
5. **Irrevocable Life Insurance Trusts.** Through the use of this technique, the federal estate tax that would otherwise be payable can be covered through a life insurance policy which is removed from one's taxable estate by placing it into an Irrevocable Life Insurance Trust.