

ESTATE AND GIFT TAXES

It's a New Year and time to review your estate plan. The decrease in value of most stocks may mean you should reconsider portions of your plan currently in place. In 2002, the unified credit was increased so that an estate of up to \$1,000,000 will not be subject to estate taxes. If properly planned, a husband and wife will be able to pass \$2,000,000 tax free to their children. Any Will more than a year old might not have taken this into consideration. Also, your family situation may have changed leaving an estate plan that is no longer viable. We would be most happy to sit down with you and review your Will and estate plan and suggest any changes that may be necessary.

A New Year means a new annual exclusion for gift tax purposes of \$11,000 for an individual and \$22,000 for husband and wife. You should consider making your gifts at the beginning of a year so that the donee (and not you) will earn the current year's income on any gift. In 2002, the unified gift tax credit was raised to \$1,000,000. If you have not made full use of this increase, you might want to make additional taxable gifts now. Again, we will be happy to discuss with you how to make the best use of this increase.

YEAR 2003 SOCIAL SECURITY AND EMPLOYEE PLAN LIMITS ANNOUNCED

A chart is presented below for your information. It shows last year's Plan and Social Security limitations as compared to the newly announced limits for 2003.

2003	2002	Description
\$ 12,000	\$ 11,000	Maximum 401(K) elective deferral.
2,000	1,000	Catch-up elective deferral for age 50 + employees
40,000	40,000	Maximum participant allocation under all defined contribution plans from all employers
200,000	200,000	Maximum allowed compensation used to compute benefits and contributions for all plans
87,000	84,900	Social Security taxable wage base taxed at 6.2 %
5,394.00	5,263.80	Maximum amount of withheld Social Security

Additional Related Items

- As in the prior year, the wage base is not limited for Medicare tax and is 1.45 % on all wages.
- The 401(K) elective deferral limit has been increased to 100 % of compensation (\$40,000 max from all plans), which may be of interest to your lower paid employees. Previously, plans would limit such contributions to no more than 25 % of pay and usually less than this. Plan sponsors may want to amend their plans to allow these employees to increase their deferrals at any time during the year. Highly

compensated employees should be excluded from raising their rate of contribution to avoid potential failure of the non-discrimination tests if they should terminate employment or have a large decrease in their pay later in the year.

- The employer's deduction for profit sharing and defined contribution plan additions have been increased from 15% to 25% of eligible compensation. This will allow those employers using multiple options, such as profit sharing, matching and after-tax contributions, to increase their deductible contribution. In order to obtain the maximum 25% deduction in the past, employers maintained two plans, profit sharing and money purchase. Since profit sharing plans can now make 25% contributions, employers should consider merging the plans and increasing the profit sharing plan to 25%.
- The contributions withheld from your employees must be segregated and transmitted by, or no later than, the 15th business day after the month ends.

We would appreciate your sending us any updated information and your E-Mail address on the enclosed form so in the future we can send our Tax Releases and other information to you electronically. Or, you can send your information via E-Mail to us at - mec@millerellin.com - Thanks.

MILLER, ELLIN & COMPANY, LLP

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For your information, listed below is the 2003 table showing the most current percentages regarding the *Required Minimum Distribution* calculation from Qualified Plans and IRA's for individuals who have reached age 70 1/2. Please be aware that these percentages can be amended in the future.

Age of employee	period	Age of employee	period
70	27.4	92	10.2
71	26.5	93	9.6
72	25.6	94	9.1
73	24.7	95	8.6
74	23.8	96	8.1
75	22.9	97	7.6
76	22.0	98	7.1
77	21.2	99	6.7
78	20.3	100	6.3
79	19.5	101	5.9
80	18.7	102	5.5
81	17.9	103	5.2
82	17.1	104	4.9
83	16.3	105	4.5
84	15.5	106	4.2
85	14.8	107	3.9
86	14.1	108	3.7
87	13.4	109	3.4
88	12.7	110	3.1
89	12.0	111	2.9
90	11.4	112	2.6
91	10.8	113	2.4
92	10.2	114	2.1
93	9.6	115+	1.9