

# ***The “Daily Plan-It”™***

**SHUMATE BROKERAGE CORP.**

**Volume 8, Issue 22**

**11/2/2006**

## **The best time to do estate tax planning ever!**

In a stunning move, the IRS fired 157 of the 345 estate tax lawyers who currently audit the tax returns of Americans subject to gift and estate taxes arguably reducing the number of audits that will occur.

### **A political Move?**

Critics of the staff reduction accuse the IRS of bowing to pressure from the Bush Administration to take the pressure off the number of Americans subject to the estate tax. IRS Commissioner Mark Everson defended the tax agency’s position in an editorial in *USA Today*. He claimed that accusations of political manipulation were “off-the-mark,” and that audits of high-income taxpayers *have more than doubled since 2000*. He also said that the agency currently audits 28 percent of returns that declare assets of more than \$5 million. In addition, the number of estate tax returns has dropped by 73 percent since Congress raised the level required to file an estate tax return, hence reducing the need for auditors.

### **The \$2,200 per hour**

The IRS’ estate tax lawyers are the most productive enforcement personnel at the agency. For each hour they work, they discover an average of \$2,200 of taxes that the government is owed.

### **80% of gifts undervalued**

And a study released by the IRS back in 2000 determined that more than 80 percent of gift tax returns in excess of \$1 million that were filed in 1999 reported an inaccurate value of the gift 80 to 85 percent of the time. The study found that gifts were undervalued by an average amount of \$303,000. How much was the government losing on these returns? About \$275 million.

In response to that study, the IRS said that it would hire more lawyers for the sole purpose of auditing taxable gifts of more than \$1 million. But now, six years later, these very same lawyers will be let go.

## **What does this mean to our clients?**

Well, this is a tough one. You can take this information and extrapolate many different opinions.

It could mean that you could be a lot more aggressive on estate planning strategies with the belief that the odds are in your client’s favor of not being audited. If you have a wealthy client, now is the time to do planning.

It could easily be interpreted that the IRS perceives that the estate tax will be repealed.

It could mean that there were a lot of estate tax attorneys sitting around the IRS offices with nothing to do. The IRS commissioner just did the right thing and saved us taxpayer money by removing these unnecessary attorneys off of their payroll.

As always, thanks for the referrals and your support.

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