

# SPECTOR GADON & ROSEN, P.C.

Attorneys at Law

*Practicing the Art of Law<sup>SM</sup>*

# LegalAlert

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## We Got It!

**ATTY and ATTY Award receive the ®**

On February 20, 2007, the United States Patent and Trademark Office registered the trademarks ATTY and ATTY Award on behalf of the The Spector Gadon & Rosen Foundation (Reg. Nos. 3,211,977 and 3,211,978). Said Tim Szuhaj, chair of the Firm's Intellectual Property Group, "The Foundation now has the exclusive right to use the marks in association with the presentation of awards in recognition of the positive depiction of attorneys or the legal profession in art, literature, drama or the media." The 2007 ATTY Award winner will be announced in an upcoming issue of *Legal Alert*.



## April 17th is a-Comin...

With April 17 fast approaching, we are all being forced, once again, to recall our TurboTax passwords and begin wading through our stacks of receipts, W-2s, 1099s, and countless other year-end tax forms. Let's take a brief moment and review some of the more salient 2006 tax law changes (including increased standard deductions, new substantiation rules on charitable deductions, and the telephone excise tax refund) that we will all want to keep in mind to minimize our tax and maximize our refund.

### New energy-saving tax credits

A 10 percent credit is available for various energy-saving improvements made to a taxpayer's main home. The credit is based on the cost of new energy-efficient improvements including insulation, exterior windows, exterior doors, water heaters, heat pumps, central air conditioners, furnaces and hot water boilers. The overall credit is limited to \$500 and further dollar limits apply to specific components (for example, \$200 for windows).

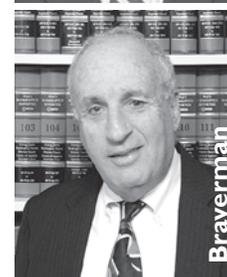
A 30 percent credit is available for the cost of photovoltaic property (subject to a maximum credit of \$2,000), solar water heating property (subject to a maximum credit of \$2,000) and fuel cell property (subject to a maximum credit of \$500 for each 0.5 kilowatt of capacity).

### Contribution limits raised for IRAs and other retirement plans

For 2006, the contribution limit for Roth and traditional IRAs rises to \$5,000, up from \$4,500 in 2005, for taxpayers age 50 or over. For those taxpayers under age 50, the limit re-



DeMartino



Braverman

*continued on page 6*



Evian

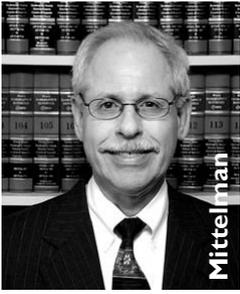
**Samantha Evian**  
of the Family Law Group organized the first meeting of the Center City Old Girls' Network.

More than 30 women attended

the February luncheon. To learn more about the OGN, contact Ms. Evian at 215-825-8940 or [sevian@lawsgr.com](mailto:sevian@lawsgr.com).

## In This Issue

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## *Insurance Trusts – Revenue Ruling is Good News for Policy Transfers*

Irrevocable insurance trusts are often used to help families eliminate the estate tax on significant amounts of life insurance death proceeds. One risk of such a trust is spelled out in its name – it is irrevocable. If family circumstances change (e.g., a child who become incapacitated or a child who dies leaving a young grandchild), the family may prefer to change the provisions of the trust. Unless the drafter was clairvoyant, it is very possible that the family will want the trust rewritten. This can present a problem with an Irrevocable Insurance Trust. It can be difficult to get the old insurance into the new Trust without there being a transfer for value. If deemed a transfer for value, then transfer of the

*...great news for insureds and their families!*

policy from one trust to another could make the policy death benefit taxable income (ordinarily the death benefit is income tax free). There are certain exceptions in the tax code to the transfer for value rule, but a sale to a trust ordinarily is not an exception. Now, in Revenue Ruling 2007-13, the IRS, in the first revenue ruling on the subject, states that a trust can sell a policy to the insured's trust and the transfer for value rule will not apply if the trust was treated as a "grantor trust" for income tax purposes. **This is great news for insureds and their families!** Grantor trusts are complex planning tools and only should be used with the guidance of knowledgeable counsel. If you would like to learn more about how trusts can benefit your family or how to, in effect, change the terms of your Irrevocable Trust, please call Alan Mittelman or Tom Williams.

## *Medicaid Changes Make Long-Term Care Insurance More Appealing*

Congress recently made it even more difficult to qualify for Medicaid nursing home benefits. The look-back rule for gifts was changed to 5 years from 3 years, and now home equity above \$500,000 will be counted as an eligible resource. Also, Pennsylvania techniques like the Hurley rule and the half-loaf method can no longer be used. Impoverishment techniques

*...the look-back rule for gifts was changed...*

always have been problematic since most nursing homes prefer to have full paying residents instead of lower paying Medicaid residents, and assisted care facilities require full payment from all residents. Long-term care insurance can be a viable alternative for many senior citizens and now can be purchased while a person is much younger, when the rates are lower and one's health is generally better. If you would like help navigating the waters planning for a senior citizen, please call Alan Mittelman or Tom Williams.

## *New Pennsylvania Health Care Power of Attorney*

The Pennsylvania legislature finally has enacted a Health Care Power of Attorney law. For a number of years, Pennsylvania has permitted its citizens to exercise their right to die with dignity under a Living Will. However, until now there has not been any legislation on health care powers of attorney. We have never felt that a Living Will alone was enough protection for our clients, since Living Wills only deal with end of life decisions and not all the other key

*...until now there has not been any legislation on health care powers of attorney...*

health care decisions that may have to be made during the last years of a person's life. For that reason, we have been preparing our own form of Health Care Power of Attorney for about 10 years now, patiently waiting for Pennsylvania to speak on the subject. Now, at long last, the PA legislature has passed a law which for the first time creates a Pennsylvania Health Care Power of Attorney. We are gratified that our form, which always has worked well, meets all of the requirements of the new law. If you or a family member would like to discuss obtaining a Health Care Power of Attorney, please call Alan Mittelman or Tom Williams.

Contact Alan Mittelman at 215-241-8912 or Tom Williams at 215-241-8813, or email [amittelman@lawsgr.com](mailto:amittelman@lawsgr.com) or [twilliams@lawsgr.com](mailto:twilliams@lawsgr.com)



Cripps

## New SEC Rules Affecting Public Companies

**Executive Compensation Disclosure.** Proxy season is upon us and companies are grappling with the impact of the SEC's new executive compensation disclosure rules, including the last-minute changes to the new rules governing the disclosure of compensation derived from stock options and other equity plan awards. These

"interim final rules" require companies to include in their Summary Compensation Table disclosure the FAS 123R compensation cost of such awards for a given year (regardless of the year in which the awards were made). This differs from the original rule that would have required companies to include the full value of equity awards as of the grant date.

While the executive compensation rules have attracted the most attention from public companies and their advisors given their immediate impact on compliance and proxy disclosures, the SEC has been active in other areas.

**Internet Access to Proxy Materials.** In February, the SEC adopted final rules that allow companies to disseminate proxy statements and annual reports to shareholders by posting them on the company website and mailing to shareholders a new "Notice of Internet Availability of Proxy Materials". The content of this notice is subject to certain disclosure requirements and will be filed with the SEC as proxy solicitation material. Companies may take advantage of this means of delivery on or after July 1, 2007 (for meetings scheduled to be held on or after August 10, 2007). At the moment, internet delivery of proxy materials will be optional, but the SEC has proposed rules that will require large accelerated filers to disseminate proxy materials over the internet beginning in 2008 and all other companies to do so in 2009.

**Changes to Tender Offer "Best Price" Rule.** On the M&A front, the SEC's recent amendments to the "best price rule" for tender offers are now in effect. These amendments will lead to an increased use of the tender offer as an acquisition technique. The best price rule requires all tendering shareholders to receive the highest price paid to any shareholder in the tender offer. A number of court decisions held that compensatory payments to executives in connection with the transaction could be treated as additional consideration paid in respect of the executive's shares in violation of the best price rule. The SEC clarified that such compensatory arrangements do **not** violate the rule. In particular, the SEC has provided a safe harbor for compensatory arrangements approved by the compensation committee of the bidder or the target company.

**Extension of Compliance Dates for Sarbanes-Oxley Section 404 Internal Control Reporting Requirements.** At year end, the SEC again extended the date on which smaller public companies must comply with the internal control reporting requirements under Sarbanes-Oxley Section 404. At present, a non-accelerated filer is required to provide (i) management's report on internal control over financial reporting for fiscal years ending on or after December 15, 2007 and (ii) the auditor's attestation report on internal controls for fiscal years ending on or after December 15, 2008. The Commission also provided newly public companies with a one year grace period before they must comply with Section 404. The SEC has indicated that it may further extend the compliance date pending its consideration of anticipated revisions to Auditing Standard No. 2.

If you have any questions about issues raised by these new rules or have other questions regarding the securities laws, please contact Pete Cripps at 215-241-8884 or pcripps@lawsgr.com.



...SECs recent amendments to the "best price rule" for tender offers are now in effect.

## At the Podium



Hampton

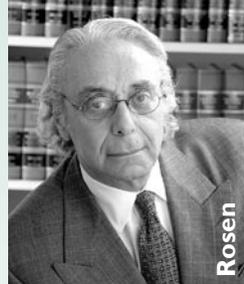
**Jennifer Ward Hampton** presented the Legal Update at the Central Jersey Claims Association entitled "Firemen's Rule is Finally Snuffed Out." Jennifer Ward Hampton: 856-778-8100 or jhampton@lawsgr.com



Klein

**Richard Klein**, chair of the Family Law Group, made two appearances on the TV program "It's Your Call with Lynn Doyle" as a legal analyst. Richard Klein: 856-778-8100 or rklein@lawsgr.com.

**Alan Mittelman**, chair of the Estate Planning and Administrative Group, presented seminars to Haverford Trust Co. and for the Fleisher Art Memorial on "Charitable Giving and Art." Alan Mittelman: 215-241-8912 or amitt@lawsgr.com.



Rosen

**Paul Rosen**, chair of the Commercial Litigation Group, received extensive print and broadcast coverage concerning his representation of Philadelphia Mayoral Candidate Tom Knox in the matter of candidate Bob Brady's financial filings. Paul Rosen: 215-241-8800 or prosen@lawsgr.com.



Szuhaj

**Tim Szuhaj**, chair of the Intellectual Property Group, was a panelist for the Pennsylvania Bar Institute's E-Commerce: Legal and Practical Issues in Philadelphia. He also presented a lecture on "Intellectual Property and its Impact on Information Technology" at the Metropolitan Career Center in Philadelphia. Tim Szuhaj: 856-778-8100 or tszuhaj@lawsgr.com

## Publications

**Scott DeMartino** was quoted in a January 30 article in *The Legal Intelligencer* regarding hiring of associates, and the factors influencing their decision to work at various law firms. The article was picked up by *New York Lawyer* on January 31. “Scott DeMartino, a senior associate at Spector Gadon & Rosen, agreed that enjoying one’s colleagues was key. “(Between large and small firms), the work is the same no matter where you go. As long as you enjoy the people you work with, it makes all the difference,” DeMartino said.

*Scott DeMartino: 215-241-8904 or sdemartino@lawmgr.com*



### Stanley Jaskiewicz

contributed two essays to a new book called *Autism: Heartfelt Thoughts from Fathers* about raising children on the autism spectrum.

*‘After we began to understand Peter’s struggles, I found a passion that I did not know that I had in me. Not only did I search for information and programs for our own use, but I also found how easy it had become to share my findings widely through the internet, with other parents and with teachers... Now, I finally feel that I am leaving good works behind me... And I would not have found any of that without my son’s diagnosis. Certainly, I wouldn’t suggest that anyone wish for a son on the spectrum as a bizarre way of finding fulfillment in life. That would treat my son as an object to my own end, rather than as a person deserving of attention for himself. But we have to live the life we have, without regrets for what might have been. To my surprise, in trying to help my son, I found that I helped myself at the same time.’*

*Stanley Jaskiewicz: 215-241-8866 or sjaskiewicz@lawmgr.com*



**Kristin Mihelic** published an article in the *Legal Intelligencer* on the changes to the ordinary course of business defense under the amendments to the Bankruptcy Code. Please email her for a copy.

*Kristin Mihelic:  
215-241-8875 or kmihelic@lawmgr.com*



**Steve Pazan** was included in an article in the *Rochester Business Journal* on the Corning Inc. case.

*Steve Pazan:  
856-778-8100 or spazan@lawmgr.com*

## Don’t Get Stuck With The Bill – Pennsylvania Successor Tax Liability



Imagine deciding to buy the assets (not the stock) of a target company, diligently negotiating and securing each tax and business indemnity advised by your legal team, only to discover six months later that your company is on the hook for years and years of unpaid state sales and use tax. Unbelievable? Counterintuitive? Yes. But in many states, including Pennsylvania, it’s the law, even in an asset acquisition.

Under Pennsylvania law, when a purchasing company acquires substantially all of the assets (i.e., 51 percent or more) of an acquisition target, the purchaser may become liable for the past tax obligations of that target. According to statute, the purchaser must obtain a tax clearance certificate from the Department of Revenue showing that all state tax reports have been filed and all state taxes paid. The target must provide this certificate to the purchaser prior to any withdrawal, dissolution, merger, or sale of substantially all of its assets. The purchaser’s failure to obtain such certificate renders the purchaser liable for all unpaid taxes owed by target, whether or not such taxes have even been settled, assessed or determined.

This provision is similar to that in many other states and illustrates the importance of ascertaining an acquisition target’s potential tax liabilities any time a company is contemplating an acquisition structured as an asset purchase.

*Scott P. DeMartino: 215-241-8904 or sdemartino@lawmgr.com*

### Are LLCs Really that Simple? By Stanley Jaskiewicz

Advisors to small businesses have promoted the limited liability company, or LLC, as a simpler and less burdensome alternative to the traditional corporation (including S corporations) for a small business. Although LLCs certainly can be slightly cheaper to organize and operate than a comparable corporation, those savings don’t mean that corporate formalities are “optional” for an LLC.

Corporations of any type require action through minutes and resolutions, to prove that business operations are distinct and separate from the activities of the shareholders. That distinction applies to any business entity and its owners, whether an LLC and its members, or a partnership and its partners. Without minutes to demonstrate the separate existence of the entity and its owners, creditors could more easily “pierce the corporate

veil,” to hold the owners liable for business debts. Other good evidence to defeat such claims includes separate financial records, and consistent signing of business documents in the name of the entity by an officer, identified as such (e.g., “ABC, LLC, by John Smith, Managing Member,” rather than simply “John Smith”).

Fortunately, businesses can easily defeat such claims by putting basic annual resolutions on their electronic calendar for each January. Approval of major actions, election of officers and ratification of the prior year’s actions will suffice, and all can be done on a simple form that should be signed each year.

*If your business’s minutes need updating, or to review your compliance with business formalities, please call our corporate legal assistants Jill Spalding at 215-241-8893, or Frank Manzano at 215-241-8833.*

## New Jersey Enacts Irreconcilable Differences Divorce Statute



Molotsky

New Jersey has finally caught up with Pennsylvania in allowing for “no fault” divorce. In February, Governor Corzine signed into law an Act which allows for a new cause of action in the State – “Irreconcilable Differences.” Pennsylvania has had a similar provision for years (with a 90 day waiting period), but the New Jersey Legislature had been resistant to the change largely based on the fear that it would result in more divorces. Previously, New Jersey required parties to be physically separated for 18 consecutive months before they were able to plead a cause of action that did not include fault, such as “cruelty” or “adultery.” Now, parties may simply plead that there have been “irreconcilable differences” that have “caused the breakdown of the marriage for a period of at least six months.” No waiting period is required prior to filing, and no details need to be included in the body of the Complaint.

This significant change should be welcomed by Family Law practitioners. It will allow parties a non-adversarial option from which to commence their divorce proceedings, eliminating the emotional and economic costs of detailing years of “cruelty”. Since New Jersey does not consider fault in the distribution of property or the award of support (except in the most extreme of circumstances), there would now appear to be little to gain in filing fault-based Complaints. Whether divorce filings increase remains to be seen, but for parties already choosing to end their marriages there is now an option that at least gets things off to a more congenial start... whatever that’s worth.

Drew Molotsky: 856-778-8100 or [dmolotsky@lawsg.com](mailto:dmolotsky@lawsg.com)

## The High Cost of Saving Legal Fees: Pay Me Now, or Pay Me Much Later

### Why Estate Planners Must Talk to the Corporate Department

Many clients who use financial planners for estate planning advice may think that they can save fees or complexity if they don’t speak to their attorney. But any savings in legal fees can be dwarfed by problems that may arise if asset transfers or retitling done by a financial planner runs afoul of the requirements of the corporate documents behind their assets, such as limited partnership or LLC operating agreements, or loan agreements.

Often, these documents contain normal, legally enforceable prohibitions on transfers of interests without the consent of the lender or the managing member. Usually, such consent will be granted routinely for normal estate planning transfers that do not change the beneficial ownership or control of the asset, such as a transfer from an individual to a trust, or to an LLC holding company. (Sometimes, a nominal processing fee may be charged.)

But if such consent has not been obtained before the retitling, and the asset is later sold or refinanced, the third party may demand a significant fee to grant its consent because it has “discovered” a technical default. Even if no real risk ever existed as a result of the transfer, because no change of beneficial ownership occurred, there may be no alternative to paying the fee extorted for the consent for the new transaction to proceed on schedule – the time for a legal challenge, or even a negotiation about the fee, will exceed the time remaining until closing.

Fortunately, such “closing surprises” can easily be avoided by remembering to review the organizational documents, loan agreements or key contracts of an entity whose ownership interests are transferred in estate planning. A legal assistant can often do the initial review inexpensively.

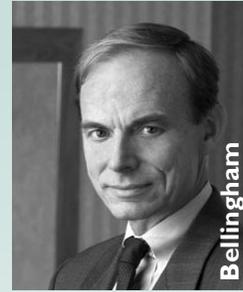
Stanley Jaskiewicz: 215-241-8866 or [sjaskiewicz@lawsg.com](mailto:sjaskiewicz@lawsg.com)

## Honors & Appointments



Baskin

**Leslie Beth Baskin**, chair of the Firm’s Creditors’ Rights and Bankruptcy Department, has been named Vice Chairman of the Eastern District of Pennsylvania Bankruptcy Conference for 2007. *Leslie Beth Baskin: 215-241-8926 or [lbaskin@sgrlaw.com](mailto:lbaskin@sgrlaw.com)*



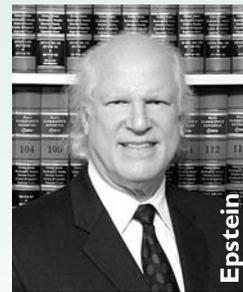
Bellingham

**Bruce Bellingham** judged the Quaker Classic Mock Trial at the University of Pennsylvania. He has joined the Philadelphia Volunteer Lawyers for the Arts. *Bruce Bellingham: 215-241-8916 or [bbellingham@lawsg.com](mailto:bbellingham@lawsg.com)*



Eichenbaum

**Heather Eichenbaum** was elected to serve on the Hamlets Condominium Association Board of Trustees in Cherry Hill as Vice President. *Heather Eichenbaum: 215-241-8856 or [heichenbaum@sgrlaw.com](mailto:heichenbaum@sgrlaw.com)*



Epstein

**Alan Epstein**, chair of the Employment Law Group and **Paul Rosen**, chair of the Commercial Litigation Group, were named to “The Lawdragon 500 Leading Plaintiff’s Lawyers in America.”



## Featuring: *Jennifer Myers Chalal*

Jennifer Myers Chalal chose to attend law school because, she says, “I loved argument and debate, and I loved to perform. I knew I would never make it as a professional actress so I figured becoming a lawyer would be the next best thing, and the courtroom would be my stage.”

Although she wound up in employment law “by default,” she now views this outcome as “the best thing I could have done.” Initially, she says, “I wanted to go into family law since my parents had endured a bad divorce, but there was not much opportunity when I graduated from law school for this practice area. Since people spend as much time at work as they do at home, I decided I would help people and companies deal with their workplace issues. It was the best thing I could have done, and I ended up falling in love with the practice.”

She elaborates, “Workplace law is an exciting area that is constantly changing and is intellectually challenging. My work allows me to deal with all types of people and businesses and learn about their industries. I also love the litigation and fighting for my client.” Her practice extends throughout Pennsylvania and New Jersey in both Federal and State Court.

A transplant from Center City to Wynnewood, Ms. Chalal and her husband Matthew Chalal are the proud parents of Joshua David, born November 2, 2006. Extremely family-oriented, Ms. Chalal credits her grandparents, Elsie and David Richter, as “my heroes and my inspiration

– they always encouraged my decision to go to law school and become an attorney.”

A self-described workaholic, Ms. Chalal likes to go to the beach (she spent her childhood summers in Margate) and to the theatre in New York. An avid hockey fan, her current disenchantment with the Flyers frees up time for reading and Pilates. She has recently become involved in volunteerism for the Crohns & Colitis Foundation of America chapter in Philadelphia.

Having grown up in Philadelphia and graduated from George Washington High School, Ms. Chalal received a J.D. with honors from Temple University School of Law. She is a Phi Beta Kappa graduate of Hofstra University where she received a B.A. degree (*magna cum laude*) with High Honors in Speech Communication. Following graduation from Temple University School of Law, she served as a Judicial Law Clerk for the Honorable Sandra Mazer Moss of the Court of Common Pleas of Philadelphia County.

Ms. Chalal is a former Executive Committee Member of the Young Lawyers Division of the Philadelphia Bar Association. She is a member of the Philadelphia Bar Association, Philadelphia Trial Lawyers Association, and Pennsylvania Trial Lawyers Association. She has published extensively on employment issues.

Having been with Spector Gadon & Rosen for six years she says, “I love the people I work with and enjoy the intimate nature that still remains in our fast-growing firm. I also enjoy the unique personalities in the firm and the diversity in practice areas.”

Ms. Chalal is admitted to the Bars of Pennsylvania and New Jersey, the Eastern District of Pennsylvania and District of New Jersey.

*Jennifer Myers Chalal: 215-241-8817 or jmyers@sgrlaw.com*

### Spector Gadon & Rosen *Foundation*

#### *Latest Grants Announced*

After meeting in February, the board of directors of the Spector Gadon & Rosen Foundation announced that grants will be given to the following arts institutions:

*Astral Artistic Services* – performance opportunities for developing musicians

*Dance Affiliates* – outreach to school children

*Hovering Above the Gutter* – theatre company

*Mann Music Center* – Young People’s Educational Concert Series

*Nexus* – support for emerging artists

*Village of Arts & Humanities*  
– promoting arts & cultures in urban areas

#### *April 17th* continued from page 1

mains unchanged at \$4,000.

For 2006, the elective deferral (contribution) limit for employees who participate in 401(k), 403(b) and most 457 plans was increased to \$15,000. For SIMPLE plans, the limit remains at \$10,000. The catch-up contribution limit for persons age 50 or older was increased to \$5,000 for 401(k), 403(b) and 457 plans and to \$2,500 for SIMPLE plans.

Beginning in 2006, 401(k) and 403(b) plans can create a qualified Roth contribution program so that participants may choose to have part or all of their elective deferrals to the plan designated as after-tax contributions.

#### *New rules for charitable giving*

To be deductible, clothing and household items donated to charity after Aug. 17, 2006, must be in “good

used” condition or better. However, a taxpayer may claim a deduction of more than \$500 for any single item, regardless of its condition, if the taxpayer includes a qualified appraisal of the item with the return. Household items include furniture, furnishings, electronics, appliances, and linens.

To deduct any charitable donation of money, taxpayers must have a bank record or a written communication from the recipient showing the name of the organization and the date and amount of the contribution. This amendment effectively negates the historical exemption from such substantiation rules for each de minimis cash donation under \$250.00. The rule applies to contributions made in tax years beginning after Aug. 17, 2006. For taxpayers who file returns on a calendar-year basis, including

*continued on page 8*

## SGR Welcomes New Attorneys

**Melissa L. Archer** is an associate in the Florida office Litigation department, concentrating on nursing home, medical malpractice, and general casualty and insurance defense.

Prior to joining Spector Gadon & Rosen, she practiced with Bales, Weinstein, and Callahan Martinez in St. Petersburg.

Ms. Archer received her J.D. from Stetson University and a B.A. in English from the University of Florida in Gainesville

*Melissa Archer: 727-490-4241 or marcher@lawsgsr.com*

**Michelle A. Ducellier** is an associate in the Business Practices group working primarily on Real Estate and Banking. Previously, she was a staff attorney with Central Appellate Research. She was also in the Real Estate department of Ballard Spahr Andrews & Ingersoll and the Business Services group at Schnader Harrison Segal & Lewis.

Ms. Ducellier's background is strong in land use planning, zoning and real estate litigation, environmental regulation and shopping center leasing and acquisition work.

Ms. Ducellier received her J.D. from the University of Pittsburgh School of Law (*cum laude*) where she was Editor-in-Chief of the Journal of Law and Commerce. She received a Masters of Information Science from Drexel University and a B.A. from the University of Pennsylvania in English Literature. She is licensed to practice in Pennsylvania and New Jersey.

*Michelle Ducellier: 215-241-8879 or mducellier@lawsgsr.com*

**Brooke Jensen** is an associate in the Corporate & Real Estate group.

Ms. Jensen's real estate experience includes representing both borrowers and lenders in diverse commercial loan transactions, negotiating and drafting commercial leases on behalf of both landlords and tenants, and participating in land use and other real property related disputes. Ms. Jensen's corporate experience includes: representing purchasers and sellers in all aspects of asset and stock acquisitions, counseling closely-held companies on general corporate matters, and advising corporate clients on intellectual property matters and other specific business transactions.

Ms. Jensen is admitted to practice in the Common-

wealth of Pennsylvania and the United States District Court for the Eastern District of Pennsylvania. She is a member of the Pennsylvania Bar Association and the Montgomery Bar Association. Ms. Jensen holds a B.A. in English from the University of North Carolina at Chapel Hill and a J.D. from the Dickinson School of Law of the Pennsylvania State University.

*Brooke Jensen: 215-241-8924 or bjensen@lawsgsr.com*

**G. Thomas Williams** has joined the Estate Planning and Tax group. His area of practice includes estate tax and estate planning and involves business structuring, private foundations, charitable trusts, split dollar, family partnerships and insurance trusts. He says, "I enjoy meeting with families and business owners to design workable solutions to what can originally appear to be insurmountable problems. Reducing or eliminating taxes and making sure that the family members are all still talking to each other and that the business will survive are the hallmarks of good planning. The key is to get started."

Mr. Williams oversees clients' tax and estate planning through all phases of estate administration including Orphans' Court. His practice involves tax and estate planning with clients at all levels including the drafting and implementation of non-qualified plans and business purchase/transfer agreements.

Prior to joining Spector Gadon & Rosen, Mr. Williams was a partner at Hepburn Willcox Hamilton & Putnam. He received his J.D. from the University of Pittsburgh School of Law, where he was a member of the Law Review, and his Masters in Taxation from Villanova University. He is licensed to practice in Pennsylvania, the U.S. District Court for the Eastern District of Pennsylvania, and the U.S. District Court of Appeals for the Third Circuit.

Mr. Williams is a member of the American Bar Association, Real Property, Probate and Trust Law Section; Tax Law Section; Employee Benefits Committee, the Pennsylvania Bar Association, Tax Law Section; Real Property, Probate and Trust Law Section, the Philadelphia Bar Association, Section on Probate and Trust Law; Estate Planning and Administration Committee, the Philadelphia Estate Planning Council, National Association of Estate Planners (Accredited Estate Planner), and the Philadelphia Association of Life Underwriters.

*Tom Williams: 215-241-8813 or twilliams@lawsgsr.com*



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## **April 17th** continued from page 6

most individuals, the new provision applies to contributions made beginning in 2007.

An IRA holder, age 70 1/2 or over, can directly transfer tax-free, up to \$100,000 per year to an eligible charity without first including such amounts in income and paying income tax. This option is available in tax years 2006 and 2007. Eligible IRA holders can take advantage of this provision, regardless of whether or not they itemize their deductions. Funds must be contributed directly by the IRA trustee to the eligible charity. Transferred amounts are counted in determining whether the holder has met the IRA's required minimum distribution rules.

### **Kiddie tax changes**

For 2006, children under the age of 18 (increased from age 14) who receive more than \$1,700 of taxable investment income are required to compute their tax using their parents' higher marginal rates. The tax does not apply to a married child who files a joint return.

### **AMT exemption increased**

For 2006, the alternative minimum tax ("AMT") exemption rises to \$62,500 for a married couple filing a joint return, up from \$58,000 in 2005, and to \$42,500 for singles and heads of household, up from \$40,250.

### **Standard mileage rates adjusted for 2006**

The standard mileage rate for business use of a car, van, pick-up or panel truck is 44.5¢ a mile for 2006.

The standard mileage rate for the cost of operating a vehicle for medical reasons or as part of a deductible move is 18¢ a mile.

The standard mileage rate for using a car to provide charitable services solely related to Hurricane Katrina is 32¢ per mile. Otherwise, the rate for providing services to charitable organizations is 14¢ a mile.

### **Inflation adjustments for 2006**

For 2006, personal exemptions and standard deductions rise, tax brackets are widened and more various tax provisions are adjusted to keep pace with inflation. Following is a list of a few of the more relevant adjustments.

Specifically, the amount of each personal and dependency exemption is \$3,300, up \$100 from 2005.

The standard deduction is now \$10,300 for married couples filing a joint return and qualifying widows(ers), a \$300 increase over 2005; \$5,150 for singles and married individuals filing separate returns, up \$150; and \$7,550 for heads of household, up \$250. Higher amounts apply to senior citizens and those who are legally blind. The standard deduction is generally reduced for a taxpayer who qualifies as someone else's dependent.

The maximum earned income tax credit ("EITC") is \$4,536 for taxpayers with two or more qualifying children, \$2,747 for those with one child and \$412 for people with no children. Available to low and moderate income workers and working families, the EITC helps taxpayers whose incomes are below certain income thresholds, which in 2006, rise to \$38,348 for those with two or more children, \$34,001 for people with one child and \$14,120 for those with no children.

The maximum Hope credit for higher education expenses rises to \$1,650 (100 percent of the first \$1,100 of eligible expenses and 50 percent of the next \$1,100 of expenses). These dollar amounts are doubled for students attending an eligible educational institution in the Gulf Opportunity Zone. The Hope and lifetime learning credits are phased out if a taxpayer's modified adjusted gross income is between \$45,000 and \$55,000 (\$90,000 and \$110,000 if filing a joint return) and totally eliminated if a taxpayer's income is above this level.

### **Telephone excise tax refund**

For 2006, individuals and businesses may obtain a refund of telephone excise taxes. Individuals may request a refund or credit on their 2006 returns by using either (1) the actual amount of excise tax paid, or (2) the following safe-harbor (no-records-required) refund amounts:

- ... \$30 for a person filing a return with one exemption;
- ... \$40 for a person filing a return with two exemptions;
- ... \$50 for a person filing a return with three exemptions; and
- ... \$60 for a person filing a return with four or more exemptions.

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