

Long Island BusinessNEWS

When The Economy Falters, Tax Attorneys Get Busy

by Claude Solnik

While the soft economy may mean hard times for many businesses, a virtual army of tax attorneys expect bad times to be good for business. When the going gets tough, tax attorneys say they typically see their business go gangbusters.

Tax attorneys said they're already seeing growing demand from people facing tax troubles or seeking strategies to reduce tax bills.

"You have people who get into trouble," said **Michelle E. Espey** an associate at **Moritt Hock Hamroff & Horowitz** in Garden City. "They haven't made tax payments or may not be able to pay at end of the year."

Espey said this time of year demand starts to surge. People discover problems when they talk with accountants at year end. Accountants refer them to attorneys who become part of their tax team.

"There's a spike in tax season, because accountants are meeting with their clients and asking what their needs are," **Espey** said. "They wouldn't only look at the information for their tax returns. Questions may come up for business planning, personal planning."

While accountants may be tax experts - handling compliance, preparing returns and advising on tax strategies - tax attorneys bring a different point of view regarding tax issues, preparing legal documents and offering advice.

"The lawyer and accountant tend to approach things from different perspectives," said Steve Breitstone, head of the tax department for Mineola-based Meltzer, Lippe, Goldstein & Breitstone, who obtained a master's in law specializing in taxation from New York University Law School.

According to Morris Sabbagh, partner

at Capell Vishnick, in Lake Success, "Lawyers look deeper into the law in structuring deals," Sabbagh said. "Accountants might come up with plan or come up with a plan in conjunction with an attorney. There might be some technicalities."

Sabbagh said he crafted many trusts and handled estate planning where accountants' advice can be crucial. But the attorney has to get the document right.

"The accountant isn't really focusing on the technicalities in terms of how the trust agreement is drafted," Sabbagh said.

Espey said tax attorneys need to work with other lawyers and accountants rather than simply solving problems on their own.

"We don't operate in a vacuum," **Espey** said. "We're partnered up with other departments in the firms, so they can think more globally from a tax standpoint."

Tax attorneys also are being called on to develop strategies to deal with tumbling real estate prices. Breitstone said clients need to know how to handle distressed properties where bankruptcy might incur personal liability.

"You can't walk away from tax liability," he said of many cases. "A big mortgage can end up with big tax liability. In those situations, the biggest issue in negotiating an exit strategy for a distressed property is to deal with the tax problems. That's becoming increasingly what we're doing."

And falling real estate values also affect those that receive property as part of an inheritance.

Dennis Kucica, an attorney at **Moritt**

Hock, said a bequest of property triggers an estate tax for the recipient. In order to pay the tax, the property is put up for sale, but at today's values, it would be sold at a deep discount. **Kucica** advises people who plan to will property to others to buy a life insurance policy. The proceeds from the policy can be used to pay the estate tax, precluding the need to sell the property at a discount.

"This way they're not forced into selling the real estate prematurely," **Kucica** said. "Especially in today's economic climate. You probably wouldn't want to sell your real estate investments."

Espey said the biggest problem she sees with clients are those who delay while tax problems grow worse.

"The biggest fault most people have dealing with the IRS is non-responsiveness," **Espey** said. "We all wish we had a client who knocks on the door when they get their first letter [from the Internal Revenue Service]. More typically, we get clients whose case has been through the processing pipeline for a while."

She said attorneys often can help even late in the process, making challenges or negotiating payments due to an inability to pay or by showing the liability isn't correct. But as filing dates approach, options may decrease.

"They may be more backed into a corner in terms of their ability to contest liabilities," **Espey** said, noting deadlines sometimes leave little time to make a case.