

TAX TALK (Winter 2003)

THE COMMISSION ON MARYLAND'S FISCAL STRUCTURE – INTERIM REPORT

By Karen T. Syrylo, CPA

The Commission

The Commission on Maryland's Fiscal Structure released its interim report on December 15, 2002. This Commission is otherwise known as the HB1 Commission, for the designation of last year's legislation that established it, or the Puddester Commission, for its chairman, Fred W. Puddester, a former Secretary of the Department of Budget and Management. This article is a brief synopsis of the commission's interim report and work to date.

This Commission is comprised of legislators, the Comptroller, representatives of the counties and municipalities, a representative from the Maryland Chamber of Commerce, a representative from the Maryland Association of Nonprofit Organizations, and several members of the public appointed by the Governor. It is supported by staff from Legislative Services, the Comptroller, and the Department of Business and Economic Development.

Its Mission and Work to Date

House Bill 1 of the 2002 legislative session charged the Commission to "review and evaluate the State's current budget and fiscal structure and make recommendations for:" (1) changes to the state budget process that would allow for more effective development and enactment of the budget; (2) ensuring that the State will have a progressive tax structure; (3) funding sources for education, transportation and health care; (4) addressing inefficiencies in and improvement to State government services and operations; and (5) changes to the State's tax structure that would allow the State to be more competitive with surrounding states regarding economic development.

In conducting its work to date, the commission held a series of briefings on topics related to its goals. It also held a meeting in which it received public testimony from interested parties regarding budget and revenue options.

The interim report lists items intended for the Governor and General Assembly's consideration for the 2003 legislative session to balance both the 2003 and 2004 budgets. The executive summary says that "The commission views Maryland's current fiscal situation as both a short-term and long-term problem." The commission intends that its next work will be to look at "longer-term solutions that will allow the State to better align its budget and tax structure to meet future fiscal challenges." The final report from the commission is due September 30, 2003.

“Options” Listed In the Interim Report

First, it is important to note that the approach of the interim report is as a list of options, a menu. The commission’s report at times uses the phrase “the commission suggests” and often uses the words “could” and “option.” In fact the executive summary says “in an effort to provide as many options as possible...” It is important to read the report as such, a list of options from which to choose, and not as a specific formula or complete plan of recommendations.

For those of you who haven’t had the chance to read the 27-page report, plus appendices, we thought it would be helpful to reprint the commission’s selected options in the bullet list format attached here. You can view the entire report, as well as other details about the commission’s proceedings on their website at www.mlis.state.md.us/other/MD_Fiscal_Structure/Options.pdf.

Of much interest to attorneys and business people is Appendix 3 that accompanies the report, “Budget and Revenue Options” prepared by the Department of Legislative Services Office of Policy Analysis. This 6-page list contains the staff’s ideas for balancing the budgets for 2003 and 2004, and potential revenue items, together with the related estimated amount of revenue impact created by each item. Once again, this list is of options, possibilities. Chairman Puddester’s November 15, 2002 cover letter to the DLS list states: “Be assured, however, that this report is no more than a starting point, and that the staff concepts reported do not reflect my position or the position of any of the commission members.” One finds in the staff’s list the veritable kitchen sink, and details that tax increase advocates are reading with interest. For example, it lists several categories of services and the revenue result of subjecting those services to sales tax: business services, information, professional, transportation, financial, personal, and repair services. And it lists the impacts of repealing certain current sales tax exemptions: food, residential sales of energy, property used in manufacturing, medical and health supplies, sales for agricultural purposes, sales to charitable/educational/religious organizations.

Conclusion

We know that the Governor and legislators have reviewed the commission’s interim report. We also know that various advocacy groups have reviewed the commission’s work and are referring to it in their own platforms. As this article is being written, Governor Ehrlich has just released his proposed budget. In summary, the Governor’s plan calls for legalization of slot machines to secure the related licensing fees and operating revenue, program cuts, increased funds for education and health care, reduction of the State payroll (by eliminating currently vacant positions and freezing salaries), and transfers from the Transportation Trust Fund. The Governor and the General Assembly will have much discussion in their process of passing a balanced budget by the end of the session. And there are 2 ½ months left in the regular legislative session, plenty of time for individual bills to be proposed; on exactly what topics, we don’t yet know. It is reasonable to expect some proposed legislation language that looks very familiar to a reader of the commission’s interim report.

**The Commission on Maryland's Fiscal Structure – Interim Report
December 15, 2002**

Budget options for the current fiscal 2003:

- Eliminate state employee one-time bonuses
- Explore additional payroll cost reductions, e.g., abolish currently funded vacant positions, and/or use of furloughs
- Look at savings from a reduction in discretionary grants made by State agencies to private organizations
- Changes to Medicaid prescription process: preferred drug list and pre-authorization
- Fund transfers: (1) \$50 million from reserves for State employees' worker's compensation; (2) \$60 million in transfer tax over attainment and unencumbered transfer tax revenue; (3) \$10 million in excess highway user revenues
- Recoup PAYGO capital into the general fund would provide \$10 million (re-authorize these projects with taxable bonds)

Budget options for fiscal 2004:

- \$100 million unallocated reduction in local aid through the local income tax (The commission notes that local aid represents almost 1/3 of the State budget, and recognizes that the localities would have to make tough decisions on program reductions.)
- Also, State payroll cost reductions, as outlined for 2003: (1) abolish currently funded vacant positions and/or use of furloughs; (2) no salary raises or bonuses; increase health care contribution; (3) eliminate the deferred compensation match
- Medicaid and other health related expenditures: (1) implement preferred drug list and require pre-authorization; (2) change mental health services to Medicaid-ineligible populations; (3) delay the second year of the developmental disabilities wage initiative
- State agencies, colleges and universities
 - Level funding for state colleges and universities
 - Consolidate, reduce or abolish some executive departments
 - Defer funding intended to reduce the State's unfunded liability for workers' comp charges
 - Liquidate the MD Housing Fund within the Department of Housing and Community Development (DHCD)
 - Defer information technology projects
 - Defer additional HOPE scholarships and provide only for teaching candidates
 - Defer Private Donation Incentive Program payments another year
 - Could consider \$20 million transfer from State's reserves for employee worker's compensation
 - Fund Program Open Space with bonds
 - Shift transfer tax reserves to the general fund
 - Eliminate use of PAYGO capital; use taxable bonds to fund projects
- As a last resort, transferring a portion of the Rainy Day Fund to the general fund could be considered. The commission notes: "However, revenues from the fund should only be used in conjunction with a more permanent structural solution for the budget and the fund should not be depleted."

Tax Compliance:

- Combined income tax returns for affiliated corporations and other measures related to the taxation of multistate corporations
- An increase in the Comptroller's audit staff
- Altering the remittance date for income tax withheld from wages
- Allowing the Comptroller to limit withholding exemptions of tax delinquents to that of the prior year
- Permitting direct salary attachment for taxes other than income taxes
- Requiring the Department of Labor, Licensing and Regulation, other State agencies, and clerks to verify State license holders' certifications of compliance with tax law
- Streamlining the bank attachment process
- Lowering the threshold for tax payment via electronic funds transfer (EFT)

Video Lottery Terminals:

- The report states that the enactment of video lottery terminals could generate annual gross revenues of \$800 million, but the amount would depend on several factors, including the distribution of revenues. It also notes that the timing of the revenues is unknown.

Short-term Revenue Options (potentially enacted for a period of two years):

- Increasing the top individual tax rate for incomes over \$100,000 (\$150,000 for joint returns)
- Increasing the corporate income tax rate
- Providing for income tax withholding at a flat 4.75 (removing the graduated scale), noting that excess would be returned to taxpayers via refunds
- Crediting all corporate income tax revenues to the general fund
- Increasing the sales tax rate
- Eliminating the sales tax vendor discount
- Imposing sales tax on various services or repealing various exemptions
- Crediting remaining sales tax on vehicle rental revenues to the general fund
- Increasing the State property tax rate
- Enacting controlling interests legislation for recordation and transfer tax

Transportation Trust Fund:

- The commission notes concern about reductions in federal funding for transportation projects
- Notes the need for substantial funding for homeland security costs
- The commission plans to look at a variety of transportation funding options in its next phase
- Current needs could be met by
 - Increasing the motor fuel tax by 10 cents
 - Increasing the motor vehicle excise (titling) tax
 - Eliminating the motor vehicle excise tax and motor fuel tax vendor discounts

TAX ON LEGAL SERVICES

By Buz Winchester, MSBA Director of Legislative Relations

The credibility of this writer and the value of this publication will not be undermined by making the following prediction: **GENERAL ASSEMBLY SET TO PASS A TAX ON LEGAL SERVICES!!!!** No, that warning, tempting as it may be as a vehicle through which to mobilize MSBA members in order to launch a full scale grassroots assault on their senators and delegates, is not credible at this point in time.

On the other hand, it would be a disservice to the members of the Association to ignore the prospect of legislation being introduced to impose a levy on a broad range of services, including those done by lawyers, in the 2003 legislative session.

For years, talk of the need to pass a legal services tax has been dismissed because State revenues from other sources were sufficient to cover expenditures. Good times and the debacle of the Florida tax on services in the late 1980's kept that boogeyman in the closet for years. Well those days are over. Policy makers are scrambling to make up for insufficient income, and taxing lawyer fees is on the menu. The likelihood of this legislation is palpable.

There are dilemmas posed by this threat. How does one warn, but not alarm? How does one alert, but not incite screams of outrage? How does one encourage MSBA members to communicate with legislators and the Governor without also creating a multitude of dialogues? The danger here is that these discussions may provide officials new ideas about how to design effective, yet equally nefarious, ways to get their hands on some of the money generated by legal fees. At this point in time, the best available solution is to view the 2003 session as a **FIRE DRILL**.

The purpose of a fire drill is to prepare for the possibility of the real thing. All of the participants in the exercise realize that the conflagration does not exist, but they go along with the fiction so that if the building begins to go up in flames, no one will get hurt. Reaction time to the crisis shrinks, anxiety diminishes, and the chances of pandemonium are reduced. If a fire actually occurs during the fire drill, and it is possible this has happened somewhere, everyone is saved.

In the next few weeks, a bill or an amendment probably will be submitted to impose a tax on a broad range of services. If such a proposal contains language instituting a tax on legal services, the MSBA membership and the local and specialty bars will be asked by this office to contact their elected State leaders and request them to oppose a levy of this sort. Any and all forms of communication – Telephone, Fax, E Mail, Personal Visits – will be sought. Marching down Rowe Boulevard on Monday nights with placards and torches will be discouraged at this point, but not entirely dismissed.

The Maryland State Bar Association opposes any proposal to tax legal services based on the following:

1. Clients, not lawyers, would pay a tax on legal services. A legal services tax is not a tax on lawyers, but a tax on those who seek legal advice. Lawyers may pay the tax bill, but the taxes and the cost of administering the payments will be passed on to the clients in the form of higher bills.
2. A Maryland legal services tax would encourage clients, especially those with high legal bills, to seek legal advice in bordering states.
3. A legal services tax is a disincentive for citizens to seek legal advice. The MSBA places a high value upon access to justice for all citizens. A levy on legal services would hit low and moderate income taxpayers hardest, especially those who do not qualify for public assistance, yet cannot afford to devote a significant percentage of their income to pay for legal advice.
4. Many legal transactions, such as property transfers and administration of estates, require payment of taxes. A legal services tax would impose an additional tax on the same transaction.
5. A legal services tax places an additional burden on those already experiencing financial problems. Clients seeking legal advice on dissolution of marriage, bankruptcy, child support, debt collection and similar matters are those who can least afford to pay an additional charge.
6. An audit of client fund accounts in order to administer the tax would violate the attorney/client privilege.
7. The tax is regressive in that citizens and small businesses would bear a disproportionate burden for paying a legal services tax. As many of the larger businesses retain attorneys as staff, they could avoid the tax, while moderate-income taxpayers and smaller business entities would have to pay the tax.
8. A legal services tax could be a tax on tax advice. Many citizens seek advice from tax law specialists as a means of clarifying their tax obligations. A tax on legal services, ironically, would impose an additional tax on those who are looking for ways to reduce their tax burden.
9. A key indicator of a state's economic climate is its tax structure. Passage of taxes on a wide range of services in other states, including legal services, in Florida and Massachusetts, has been a disaster. Boycotts and threats of business relocations led to repeal of the statutes in both states.
10. Taxing a person's ability to defend himself or herself in a criminal proceeding could be challenged as unconstitutional.
11. As many legal services are provided to non-Maryland clients, or a mixture of in-state and out-of-state customers, deciding what services are eligible to be taxed would be an administrative nightmare and would probably be challenged in court. This would result in added administrative and legal costs to the state.

12. Restricting the tax on legal services to “business-related activities” and excluding “personal legal services” would harm a vital center of the state’s economy and be aimed at the entities most likely to seek legal services from out-of-state firms.

If there are comments or questions on this article, please feel free to contact: Buz Winchester, Director of Legislative Relations. Maryland State Bar Assoc., Inc., P.O. Box 49, Annapolis, MD 21204. Phone: 410-269-6464 or 301-858-5353; FAX: 410-974-8244, E-Mail: msba.legislate@verizon.net

A FEW GOOD AUDITORS

That was one of the main themes at the IRS/Maryland Society of Accountants Practitioners Liaison meeting held in Baltimore on October 23, 2002. Dean Molyneaux, a Supervisory Revenue Agent with the Service’s Large and Mid-size Business Division (“LMSB”) stated that his biggest problem is retaining good employees. Mr. Molyneaux indicated that up to fifty percent (50%) of his work force is eligible to retire in the next five years. And, significantly, those employees eligible to retire typically are the most experienced and valuable personnel. Because LMSB agents only work with C and S corporations and partnerships with assets greater than \$5 million, the issues they grapple with tend to be more complicated and require experience and judgment. New hires out of school require significant training and experience before they are capable of tackling many of the complex issues which arise in the course of LMSB audits. Mr. Molyneaux indicated that, due to on-again off-again hiring freezes and salary constraints, it is very difficult to hire experienced personnel to replace his retiring work force.

The “Careers” section of the IRS’s web site (www.irs.gov) contains an excellent road map to the various employment entry points to the Service. Unfortunately for Mr. Molyneaux, the Section for Internal Revenue Agents seems to be geared mainly for recent college graduates.

REPORT FROM THE HECKERLING INSTITUTE

By Harold W. Pskowski

The Thirty-Seventh Heckerling Institute on Estate Planning opened on January 6 with a greeting from University of Miami President Donna Shalala. She observed that she has a close connection to our profession through her 90-year old mother, who is a still-practicing attorney in Cleveland, Ohio. President Shalala offered no excuses for the recent performance of her school’s football team, but promised that we would be exposed to the best minds in estate planning during the coming week.

That promise drew a record crowd of approximately 3,000 attorneys, CPAs, trust officers, and financial planners to the Institute. These numbers were surprising, given the increasingly likely demise of the estate tax, but the planners of the Institute had managed to skillfully weave a

number of sessions devoted to non-tax issues into the usual discussions of transfer tax planning. This report focuses on the tax-related sessions that seemed of most interest to the practitioner.

The Institute proceedings opened with a discussion of estate, gift and income tax developments during 2002, led by Carlyn McCaffrey, Dan Hastings, and Howard Zaritsky. Two items stood out here. The first was the Service's successful attack on family limited partnerships using Code §2036, coming after years of failure under Chapter 14. The speakers pointed out that the IRS has been successful with its §2036 approach when the founder and his family have been careless in observing the formalities of the partnership form. The panelists agreed that these decisions appear to be correctly decided, but pointed out that the §2036 argument can be avoided through the careful creation and operation of the partnership. Zaritsky, in particular, emphasized the importance of ensuring that the client properly operates the partnership on an ongoing basis, and suggested that this responsibility be delegated to the client's accountant.

The second matter that stood out here was the reaction of the states to EGTRRA's phase out of the state death tax credit and increase in the unified credit. By now, most readers are familiar with Maryland's decoupling of its estate tax from the state death tax credit, but there have been a variety of responses in other states. Some states have acquiesced in the federal action, while others have taken steps to ensure that their revenues will not be reduced by EGTRRA. The lesson here is to familiarize yourself with the estate taxes in any states in which your clients have immovable property.

Jonathan Blattmachr next spoke about life insurance trusts, offering some of his usual cutting-edge ideas. He advocated the use of "cascading" *Crummey* powers in insurance trusts to avoid using GST exemption when grandchildren are potential beneficiaries. Under a "cascading" power, the initial *Crummey* withdrawal right over the premium payment is given to the grantor's child. When the child fails to exercise the power, the trust gives a new withdrawal power over the same property to the grandchild. According to Blattmachr, the child, by reason of his failure to exercise his power, becomes the transferor of the property subject to the power, and any future distributions to the grandchild will not be subject to the generation-skipping tax.

Larry Katzenstein of St. Louis spoke on "Turning the Tables: When Do the IRS Actuarial Tables Not Apply?" He was critical of certain IRS regulations issued under §7520, particularly the trust exhaustion rule, which limits the value of an annuity if the fund would be exhausted before the annuitant reached age 110. This rule can be applied to both GRATs and charitable lead annuities. Katzenstein feels that the regulation misunderstands the nature of exhaustion and can lead to absurd results. He also criticized the recent *Shackleford* decision in the Ninth Circuit, which held that the valuation of lottery winnings in a decedent's estate was not controlled by §7520 because of the non-assignability of the payments. Katzenstein pointed out that most trusts have spendthrift clauses to prevent assignment, yet valuation of trust interests are clearly controlled by §7520. He conceded, however, that *Shackleford* could be useful precedent if you are trying to get out from under the tables.

Pam Schneider, Paul Frimmer, and Carol Harrington gave a presentation on "Drafting after EGTRRA." Like most recent commentary on this subject, their suggestions for post-EGTRRA drafting can be broken down into three distinct approaches: (1) the use of complex

formula clauses; (2) relying on the surviving spouse to disclaim into the credit shelter portion; and (3) allowing the executor to make a partial QTIP election, with the non-elected portion being diverted to a credit shelter trust (a so-called *Clayton* marital). They also suggested drafting language for carryover basis, should it ever become a permanent feature of the Code. Although the speakers offered some sound solutions to the drafting problems caused by EGTRRA, much of their drafting language seemed excessively complex and would be difficult to explain to many clients.

William P. LaPiana of the New York Law School gave an interesting talk on the state response to EGTRRA. He pointed out that, unlike Maryland (which only decoupled itself from the phase out of the state death tax credit), a number of states have decoupled themselves from all the EGTRRA changes, including the increase in the unified credit. These states, which include the District of Columbia, Massachusetts, and New Jersey, will continue to impose their estate taxes to taxable estates using a pre-EGTRRA unified credit, meaning that their estate taxes will kick in at the \$675,000 or \$1.0 million level. In these states, he observed, the use of a formula credit shelter clause tied to the federal credit could result in significant, and perhaps unnecessary, state tax. His outline included a useful description of how each state will apply its tax after EGTRRA.

Richard B. Robinson, from Denver, Colorado, gave a valuable presentation on post-mortem planning with family limited partnerships, with an emphasis on how to remove the assets from partnership form with minimal tax impact. He pointed out that family members often want to unwind the partnership as soon as the founder is under ground, but cautioned that this option should not be broached until the estate tax closing letter is in hand. He emphasized the importance of knowing the partnership income tax rules, and pointed out the potential tax liabilities associated with sales or transfers of property that had built-in appreciation when contributed to the partnership. If you have any question about what to do with an FLP after the founder's death, this is the article to go to. Daniel H. Markstein of Birmingham, Alabama, gave a related presentation on post mortem planning with FLPs, focusing on some of the non-tax issues, such as security laws restrictions that may apply to FLP interests.

John R. Price from Seattle, Washington, offered a good session on planning with GRATs. He advocated the use of "zeroed out" GRATs that the Tax Court approved of in *Walton*, with relatively short terms to lessen the mortality risk. He also had an interesting idea for using a private annuity within an intentionally defective grantor trust. He claims that this avoids both the mortality risk of a GRAT and the risk that property sold to the trust would be includible under §2036. The technique is too complex to describe here, so you should review his outline if you are able.

The Heckerling Institute offers a number of afternoon workshops, some focusing on topics addressed in the primary sessions, others on separate estate planning and tax issues. These are more informal than the morning lectures, and allow questions from the audience. One workshop that drew a large crowd was a session on transfer tax audit issues. The speakers were Mary Lou Edelstein and Martin E. Basson, both with the IRS, and two tax attorneys, John W. Porter from Houston and Norman J. Benford from Miami. The discussion quickly swung to valuation issues, particularly family limited partnerships

Edelstein explained that since April 1999 she has been the national family limited partnership coordinator at the Appeals level. The IRS is trying to maintain consistent results in FLP cases at Appeals, and any Appeals Officer is required to call her before offering an FLP settlement. She revealed that the Service is willing to settle FLP cases at significant discounts, provided that the FLP is not a “death bed” partnership (i.e., formed within six months of death) and that the partners have observed the partnership form to avoid the §2036 argument. She also cautioned that the IRS is not likely to offer a settlement in cases where the decedent placed all his assets in the partnership; the expectation is that sufficient assets were left outside the partnership to maintain a reasonable standard of living.

If the partnership can pass these hurdles, Edelstein indicated that Appeals may offer a 35% to 40% discount for partnerships holding a business or real estate, and a 25% to 30% discount for a partnership holding marketable securities or other passive assets. Given the size of the discounts now accepted by the IRS, it is this writer’s opinion that an advisor may be doing a disservice to his or her client by failing to recommend an FLP to the appropriate client. The speakers cautioned, however, that there is little coordination of FLP issues at the examination level, where the discounts are much less predictable.

The panelists also discussed the “tax-effecting” of assets with a built-in tax liability. Edelstein and Basson confirmed that the IRS has conceded the validity of tax-effecting the value of a C corporation. The amount of the discount, they said, depends upon the amount of the built-in tax liability and the likelihood that the corporation will be liquidated. The IRS does not, however, allow tax-effecting for S corporations and partnerships, they said, and rejected out of hand any attempt to tax-effect the built-in tax liability in an IRA or other retirement plan, citing the recent TAM 200247001.

Other topics addressed in the primary sessions of the Institute were: (1) “What to Do with Art and Other Valuable Stuff,” Ralph E. Lerner; (2) “Charitable Lead Trusts Re-Examined: The Dawning of a Golden Age,” Edward J. Beckwith; (3) “Did They Get It Right? The Final Minimum Distribution Rules,” Louis A. Mezzullo; (4) “Worth the Effort Beyond the Grave—An Update of Post-Mortem Tax Planning Strategies,” Steven R. Akers; (5) “What Do You Mean Subpoena? I’m a Lawyer!” Russell Allen; (6) “The Durable Power of Attorney: Why You Should Give More Attention to Estate Planning’s Stepchild,” Karen Boxx; and (7) “Terrorism of Its Prospect—The Impact on Estate Planning,” Roy M. Adams. All of these came with well-prepared outlines, which will be available from LexisNexis when it publishes the annual proceedings.

TAX EXCELLENCE AWARD

Last year, at the 2002 Shulbank Dinner, the MSBA Tax Section awarded its first Tax Excellence Award to the Honorable Paige Marvel for her years of work advancing the practice of tax law both in private practice and on the bench. The Tax Section is soliciting the input of its members for possible recipients of the 2003 Tax Excellence Award. A nominee should have advanced the practice of tax law, whether in private practice, teaching or public service. If you

know an individual who should be considered, please e-mail Jeffrey Markowitz, Chairman of this year's Awards Committee at jmarkowitz@milesstockbridge.com, with your recommendation as well as a brief statement as to why you feel the suggested person is worthy of consideration.

MARK YOUR CALENDARS FOR THE 2003 SHULBANK DINNER!

The 2003 Shulbank Dinner will be held on the evening of Wednesday, April 30, 2003 at the Camden Club at Camden Yards.

SPOTLIGHT ON.....

by Marilyn E. Nelson

In this and upcoming issues of "Tax Talk," the editors will feature the profile of a member of the Tax Section, chosen at random from the list of some 590 members. The subject for this issue is Catherine Mack.

Catherine R. Mack, or "Cathy Mack," as she is known less formally, now has a solo tax practice in Bethesda, which she began about four years ago, concentrating on estate and gift tax and other tax planning matters. Her route to a tax practice was anything but direct.

After graduating from the University of Wisconsin with a BS (with honor), Cathy came to the Washington, D.C. area, where she took the only job she could find, as a secretary on Capitol Hill. Unfortunately, she found herself ill equipped for that type of work, because of both her typing skills and her attitude. A journalist friend persuaded her to become a member of the District of Columbia Police Department; the plan was that Cathy would do the police work and then she and her friend would write a book about her experiences. Cathy joined the D.C. Police, which, at that time, had about 35 non-uniformed police-women, all of whom were college-educated and working in the Youth Division. Cathy stayed at the Police Department about 2 ½ years, during which time she handled youthful offenders and victims. By the spring of 1971, however, she was enduring the anti-war demonstrations, processing protesters in 16-hour days. The planned book never materialized, and Cathy, unable to take police work for another day, decided in the summer of 1971 to go to law school.

She found that the law school of Catholic University was still accepting applications, so that is where she enrolled. Graduating in 1974 with highest honors, at the top of her class, Cathy took a two-year clerkship with (former Chief) Judge Aubrey E. Robinson Jr. in the U.S. District Court for the District of Columbia. Upon leaving that post, she became an associate at the D.C. office of Fried, Frank, Harris, Shriver & Jacobson, where she concentrated on commercial litigation, securities litigation, real estate, and general corporate work. In 1980, Cathy left that firm to become an Assistant U.S. Attorney, engaging for a four-year term in appellate and criminal trial work in the local and federal courts in Washington, D.C.

Cathy's interest in commercial law and real estate took her next to Federal Realty Investment Trust, in Rockville, Maryland, where she was the first attorney to join the company. Over the years, she rose to the position of Vice President-General Counsel & Secretary, and became the chief legal officer supervising an office of about 18 employees and responsible for all of the legal requirements of acquiring, leasing, contracting, and litigating real property matters. While still employed there but contemplating a career change, she returned to Catholic University's night law school to audit a course called "Wealth Transfer Taxation," to see if she could handle the difficulty and intricacies of the Estate and Gift Tax Code. Apparently she could, because she continued by taking another estate planning course, and then immersed herself in Jeff Pennell's two-week summer course in estate planning at Emory University Law School.

After that training, Cathy decided to leave Federal Realty and to open her own office, in 1999, to focus on estate planning. She finds this work immensely stimulating and challenging. In addition to her membership in the MSBA and the Tax Section, Cathy is a member of the ABA, the DC Bar, the Real Property and Probate Section of the ABA, and the Estates & Trust Law Sections of the D.C., Maryland, and Montgomery Bar Associations. She has been invited this year to teach a session of the Estate Planning course at Catholic University's night school, and she looks forward to returning there to share her experiences with the students.

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