

Arthur G. Potts, Jr.
agpotts@blairandpotts.com

Robert A. DeVellis
radevellis@blairandpotts.com

Rob Roy Buckingham, Jr.
rrbuckingham@blairandpotts.com

Courtney Stewart Dutt
cstewart@blairandpotts.com

Mary E. Andrews
meandrews@blairandpotts.com

Brendan H. Buschman
bbuschman@blairandpotts.com

Christina M. Rubino
crubino@blairandpotts.com

Two Stamford Plaza
281 Tresser Blvd., Suite 600
Stamford, CT 06901
Telephone: 203-327-2333

CLIENT ALERT: 2022 ESTATE & GIFT TAX PLANNING

There were several tax proposals in 2021 that, if enacted, would have reduced federal exemptions or reduced the efficacy of certain types of trusts. No legislation was passed and the current political climate makes it unlikely that there will be any significant estate tax changes in 2022. However, given our 2-year election cycle, the balance of power can shift and provide the votes necessary to alter the estate tax landscape. We will continue to monitor legislative proposals but, in the meantime, let us review what is new for 2022.

Federal Estate and Gift Taxes

The federal estate and gift tax exemption for 2022, indexed for inflation, is \$12.06 million, up from \$11.7 million in 2021, and represents the amount that an individual may gift or transfer at death without the payment of any federal transfer tax. Please keep in mind that your federal estate tax exemption is reduced by the value of your lifetime taxable gifts. The generation-skipping transfer (GST) tax exemption for 2022 is also \$12.06 million. The estate, gift, and GST tax rates remain a flat 40 percent.

Under current law, the exemption amounts are scheduled to be halved in 2026. In addition, the top federal rate will return to 45%. Therefore, thought should be given to whether it makes sense to take advantage of these higher federal exemptions while they are available.

The annual gift tax exclusion has increased from \$15,000 to \$16,000. As a result, an individual may gift up to \$16,000 and married couples can gift up to \$32,000 per year per recipient without using any estate or gift tax exemption. A sustained annual gifting program continues to be a tax efficient way to make tax free gifts. Furthermore, direct payments of tuition and medical expenses continue to be an excellent way to reduce your potential transfer tax liabilities.

Connecticut Estate and Gift Taxes

The Connecticut estate and gift tax exclusion for 2022 jumped to \$9.1 million, up from \$7.1 million in 2021. In 2023, the Connecticut exemption amount is scheduled to match the federal estate and gift tax exemption and thereafter will be adjusted annually for inflation. If the federal exemption is halved in 2026, the Connecticut exemption would follow suit. The Connecticut estate and gift tax rates on transfers above the exemption range from 10.8 to 12 percent.

Connecticut remains the only state with a gift tax. Therefore, it is imperative for any Connecticut resident, or any non-resident making a gift of Connecticut property, to consider any potential Connecticut gift tax.

New York Estate Taxes

The New York estate tax exemption, indexed for inflation, is \$ \$6,110,000 in 2022. However, to the extent that an individual's taxable estate exceeds 105% of the New York estate tax exemption, the benefit of the entire exemption is lost, and all assets, not just the amount exceeding the New York estate tax exemption, would be subject to the New York estate tax. For this reason, the New York estate tax is commonly referred to as a cliff tax. New York estate tax rates range from 3.06 to 16 percent.

Because New York does not have a gift tax, a New York resident can make taxable gifts and thereby reduce any potential New York estate tax liability. However, any gifts made within 3 years of a decedent's death are brought back into the estate and subject to New York estate tax.

Estate Planning, 2022 and Beyond

Given the uncertainty of the future tax laws, we continue to advise clients to plan based on current tax laws, but remain flexible. High net worth individuals whose assets exceed the current federal exemptions may wish to consider implementing lifetime gifting strategies to reduce their taxable estates while these options are permissible. Others may wish to consider simplifying their estate plans.

Regardless of tax laws, you should review your plans to confirm that your choices as to Executor, Trustee, Health Care Representative, or Agent under a durable power of attorney are still appropriate. For example, clients who many years ago appointed a spouse or sibling in any of these roles—whether as the primary or backup fiduciary—may wish to consider naming their children. Similarly, plans should be reviewed in light of marriages, divorce, births or deaths or any other looming issues on the horizon.

Finally, it is critical that you also review the designated beneficiary forms for your IRAs, 401(k)s, and similar retirement plans as well as for life insurance policies and the manner in which your assets are held to make sure that they are consistent with your estate plans.

Please do not hesitate to contact us if you wish to review or make any changes to your estate plan or if you have any other questions.

Wishing you a healthy and happy New Year,

Arthur G. Potts, Jr.
Robert A. DeVellis
Rob Roy Buckingham, Jr.
Courtney Stewart Dutt
Mary E. Andrews
Brendan H. Buschman
Christina M. Rubino

ESTATE & GIFT TAX ALERT