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2024 CLIENT ADVISORY

All of us at Blair & Potts wish you and your families a healthy, happy and prosperous 2024. As is our custom at the start of the new year, we thought we would summarize changes in the tax laws that you should consider when reviewing your own estate plans. We also wish to call your attention to the Corporate Transparency Act, a federal law designed to prevent money laundering. As discussed below, its impact will be far reaching since even companies created for the limited purpose of holding and managing residences or vacation homes will be required to comply.

2024 Estate, Gift and GST Tax Rates

Federal Estate, Gift and Generation-Skipping Transfer Tax Exemptions.

The federal estate, gift and generation-skipping transfer (GST) tax exemptions increased to **\$13,610,000** per individual (up from \$12,920,000), or \$27,220,000 per married couple. For clients who previously gifted their entire federal exemption, you now have an additional \$690,000 to gift and, for a married couple, an additional \$1,380,000. The federal tax rate on taxable estates and gifts above the exemption amount remains 40%.

State Estate Tax Exemptions.

Connecticut's estate and gift tax exemption matches the federal exemption and, therefore, also increased to **\$13,610,000**. Connecticut's top estate tax rate is 12%.

Several other states impose an estate, inheritance or succession tax. Owning any real estate or personal property in any state that has a transfer tax could subject your estate to taxes, even if the value of that property is below the state's exemption amount. Below are the exemptions for neighboring states where many clients may own a primary or secondary residence:

- New York's estate tax exemption increased to **\$6,940,000**. However, if your estate exceeds \$7,287,000, the exemption is effectively lost and your entire estate may be subject to New York estate tax.
- Massachusetts' estate tax exemption remains **\$2,000,000**.
- Rhode Island's estate tax exemption increased to **\$1,774,583**.

The top estate tax rate for New York, Massachusetts and Rhode Island is 16%.

2024 Annual Gift Tax Exclusion Amount, Educational & Medical Payments

The amount that you may gift to any number of individuals without using any of your gift tax exemption has increased to **\$18,000** per year, or \$36,000 for a married couple.

Annual gifting continues to be a very efficient way to make tax-free gifts. A sustained annual gifting program over a period of years can successfully transfer substantial sums tax-free, resulting in significant estate tax savings, especially when you consider that you are also gifting the future appreciation.

Annual exclusion gifts can be made outright or in trust. A trust would provide creditor protection and, especially with respect to individuals who may not be ready to handle a financial windfall, a mechanism—vis-à-vis the trustee—to manage the trust assets. As an additional benefit, a trust can be structured so that you, rather than the trust beneficiaries, pay the income tax on trust earnings which has the effect of making an additional gift of the income tax without using any of your gift tax exemption.

In addition, payments of tuition and medical expenses for any person, if paid directly to the institution, are not treated as gifts for transfer tax purposes and continue to be an efficient way to reduce the size of your estate.

The Future of the Federal Estate and Gift Tax

On January 1, 2026 the current federal estate and gift tax exemptions are scheduled to expire at which time the exemptions will be cut in half, to an estimated \$7,000,000, as adjusted for inflation. The political environment continues to make predictions perilous, but it is becoming increasingly likely that there will be no clarity until 2025, after the presidential and congressional elections. It is therefore important to start evaluating options now so that decisions are not made in haste which could result in costly mistakes.

Review of Existing Estate Plans

We recommend that you review your estate plan each year, not only in light of changes to the laws, but also to take into account any changes in family circumstances including significant life events such as a birth, death, marriage or divorce.

Importantly, but sometimes overlooked, be sure to also review whom you have assigned to critical fiduciary roles such as Executors, Trustees, Health Care Representatives and Agents under a financial power of attorney. With respect to any Powers of Attorney and Living Wills, signing updated documents may make it easier for your designated agents to use these documents at the appropriate time.

Corporate Transparency Act

The Corporate Transparency Act (the “CTA”) became effective January 1, 2024 and is intended to prevent money laundering, tax fraud and financing for terrorism by requiring those who have a significant ownership interest in, or can exercise control over, small business entities to submit a Beneficial Ownership Information (BOI) report to the Treasury Department’s Financial Crimes Enforcement Network (FinCEN). An individual qualifies as a beneficial owner if he or she can influence the company’s decisions or operations or owns at least 25% of the company.

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Although there is ambiguity with respect to several legal and practical aspects of the CTA that will hopefully be clarified in the coming year, it is certain that the CTA applies to corporations, limited liability companies (LLCs) and limited partnerships (LPs) that have fewer than 20 full-time employees or less than \$5 million in gross revenue. Clients who have set up a corporation, LLC, or LP to run a family business or hold real estate (whether for commercial or personal use) or to manage investments will fall under the CTA's reporting requirements. Trusts are generally exempt from the CTA.

The BOI Report that must be electronically filed with FinCEN includes personal information—legal name, date of birth, current address, and the identifying number from an acceptable, non-expired identification document (such as a U.S. passport or driver's license, a copy of which must also be uploaded into the FinCEN database). In addition, information about the business entity itself including both its legal and "dba" name and its tax identification number must be electronically filed.

FinCEN will maintain the BOI in a secure national database known as Beneficial Ownership Secure System (BOSS). Information contained in BOSS will only be accessible by certain law enforcement agencies, taxing authorities and a limited number of other potential users for specific purposes upon request.

After the initial filing of the BOI report, there is no annual filing requirement, although an updated report is required to be filed any time there is a change in ownership or authority or any change to the initial BOI.

For the initial filing, companies in existence prior to January 1, 2024 will have until January 1, 2025 to file the BOI report. Companies formed on or after January 1, 2024 must file the BOI report within 30 days of the Secretary of State completing its registration of the business.

Failure to comply with the CTA's reporting requirements could result in civil penalties of up to \$500 per day and criminal fines of up to \$10,000 and two years imprisonment.

The following link contains additional information as well as instructions and links to e-file the BOI Report:
<https://www.fincen.gov/boi>

Please do not hesitate to contact us to determine if the CTA applies to you.

All of us at Blair & Potts are here to assist you in any way we can. Please do not hesitate to call if you would like to schedule a meeting to discuss your estate plan, your gifting program, potential changes to the tax laws or any other matter.