

TRUSTS & ESTATES ALERT

Recent Changes in Connecticut Law Could Have Significant Impact on Existing Estate Plans

Several weeks ago, Governor Dannel Malloy signed legislation that significantly changed the Connecticut estate and gift tax landscape. The changes are retroactive to January 1, 2011. After you have had an opportunity to review this Estate Planning Alert, please contact us so that we may assist you in determining whether these changes in the law impact your current estate plan.

Coming into 2011, the Connecticut estate tax exemption was \$3,500,000 per person. As a result of the new law, the Connecticut estate tax exemption amount is drastically reduced to \$2,000,000 per person. The Connecticut gift tax exemption has likewise been reduced to \$2,000,000. The estate and gift tax rates have remained the same under the new law, and are rather significant at between approximately 7% and 12%.

These recent changes further magnify the difference between the federal estate and gift tax exemption amount of \$5,000,000 per person and the new \$2,000,000 Connecticut exemption. It is critically important to ensure that your estate plan has the flexibility to address the unequal exemptions. Failure to do so could result in significant state estate tax upon the death of a spouse. Such a tax at the first spouse's death is avoidable with proper planning. In addition, 2011 gifts, even those made prior to the new state exemption, will be subject to the lower exemption amount and potentially result in significant state gift tax. Although it may nonetheless make sense to pay a state gift tax in order to reduce future tax exposure, the analysis has become all the more important as a result of these recent changes.

It is also worth noting that, in addition to Connecticut, numerous other states similarly have exemptions that are lower than the federal amount and require special planning. These states include New York, New Jersey, Massachusetts, Maine and Vermont.

We look forward to hearing from you to discuss the specifics of your current plan.

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