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Connecticut Estate Tax Exemption Increased

Breaking news: The new Connecticut state budget, signed yesterday by Governor Malloy, increases the individual exemption from Connecticut estate and gift tax from its current level of \$2,000,000 up to \$2,600,000 in 2018, to \$3,600,000 in 2019 and to match the federal estate and gift tax exemption in 2020.

Currently, the federal estate and gift tax exemption is \$5,490,000. The exemption is indexed for inflation each year. Effective January 1, 2018, it will rise to \$5,600,000, so as of that date, a married couple will be able to shield up to \$11.2 million from federal estate tax. In addition, the annual exclusion amount for gifts will rise to \$15,000 in 2018, after remaining at \$14,000 since 2013. As a result, starting in 2018 gifts of \$15,000 or less to any number of recipients (or \$30,000 or less, if made by a married couple) in a calendar year will have no estate or gift tax consequences.

Whether we see a full or partial repeal of the federal estate tax is a topic of intense speculation. A full estate tax repeal is called for in the plans advanced by both the White House and Congressional Republicans, although Speaker Ryan has indicated that the proposed repeal might be phased in over a period of several years.

However, several other tax reform items appear to have higher priority, such as a modification of individual and corporate tax rates. At this point in the process, in an effort to reduce the potential deficit effect of a tax reform package, there is talk of eliminating many popular income tax deductions that have broad appeal. Whether there will be a political appetite for eliminating the federal estate tax remains to be seen.

As with any change to the underlying tax environment, it is important to review your estate plan in light of these developments. If you have any questions on the current estate tax landscape and its potential effect on your estate plan, please contact your Wiggin and Dana attorney.