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## GIFT ASSETS NOW

Making lifetime gifts now can ensure optimal use of the historically high federal transfer tax exemptions while they are still available. Under current law, the increased estate and gift tax exemption (\$13.61 million per person, or \$27.22 million for married couples) will go back to the 2017 amounts (\$5.49 million per person, or \$10.98 million for married couples, indexed for inflation) on January 1, 2026. Gifting assets now can ensure full use of the currently available exemptions and removes future appreciation of the gifted asset from your taxable estate at death.

In addition, note that Connecticut is currently the only state in the nation that imposes a gift tax. The exemption matches the federal exemption (\$13.61 million per person for gifts made in 2024). Connecticut residents must be mindful of the exemption when making lifetime gifts in order to avoid being taxed at the state level and should consider gifting any out-of-state property, which is not subject to the Connecticut gift tax. Similarly, non-residents who own property in Connecticut should consider

gifting such property now in order to avoid Connecticut estate tax on the property at death.

Clients should also consider transferring appreciated assets now to escape the potential of future legislation that would impose a deemed recognition event on gifts of appreciated assets, particularly in the case of low basis assets that would trigger significant taxable gains. While the current law remains in effect, the donee, or recipient of a lifetime gift (whether an individual or an irrevocable trust, such as a SLAT or Dynasty Trust) will inherit the donor's tax basis in the gifted asset with no deemed recognition of capital gain.

Regardless of future tax law changes, gifting assets now will escape the triggering of any taxable gain on the transfer. Clients should consider creating an irrevocable trust as the recipient of a taxable gift (or gifting assets to an existing irrevocable trust); doing so not only provides asset protection and management, it ensures that basis carries over to the trust and no capital gain is realized at the time of the transfer.