

**TRUSTS & ESTATES****Are you looking forward to 2018? We are!**

October 27, 2017

To assist you in your planning, we are happy to report the following inflation adjustments to key estate, gift, and generation-skipping transfer tax ("GST") exclusion amounts for 2018, and to report the "state of our states."

**FEDERAL LAW**

For the estate of a person dying during calendar year 2018, the federal applicable exclusion amount will increase from \$5.49 million to \$5.6 million. This change increases (i) the applicable exclusion amount available at death, (ii) each person's lifetime gift applicable exclusion amount, and (iii) each person's GST applicable exclusion amount. This means that a married couple with proper planning will be able to transfer a combined total of \$11.2 million free of estate, gift and GST tax to their beneficiaries in 2018 either by gift or at death.

The federal estate, gift and GST tax rate remains the same at 40% in 2018, but the per donee gift tax annual exclusion will increase to \$15,000 (up from \$14,000 for gifts made in 2017).

The federal gift tax annual exclusion amount for gifts to a non-citizen spouse will increase to \$152,000 in 2018. (Gifts between spouses remain unlimited if the recipient spouse is a United States citizen.)

Below is a link to the federal announcement:

<https://www.irs.gov/pub/irs-drop/rp-17-58.pdf>

**CONNECTICUT**

After nearly 120 days without a budget, the Connecticut legislature finally passed a new, bi-partisan, financial package, by voting margins that are large enough to withstand Governor Malloy's threatened veto. The bill makes sweeping changes to the current estate and gift tax regime.

- Beginning in 2018, the Connecticut estate and gift tax threshold will increase over a three-year period from \$2 million to the federal estate tax threshold, and modifies the marginal rate schedule for estates and gifts, as shown in the following table:

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This means that a married couple with proper planning will be able to transfer a combined total of \$11.2 million free of estate, gift and GST tax to their beneficiaries in 2018 either by gift or at death.

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Value of Taxable Estate or Gift	Marginal Rates			
	Current Law	Bill		
		2018	2019	2020 & After
Up to \$2,000,000	None	None	None	None
\$2,000,001 to \$2,600,000	7.2%			
\$2,600,001 to \$3,600,000		7.2%		
\$3,600,001 to \$4,100,000	7.8%	7.8%		
\$4,100,001 to \$5,100,000	8.4%	8.4%		
\$5,100,001 to federal threshold	9.0%	10.0%	10.0%	
Federal threshold to \$6,100,000				10.0%
\$6,100,001 to \$7,100,000	9.6%	10.4%	10.4%	10.4%
\$7,100,001 to \$8,100,000	10.2%	10.8%	10.8%	10.8%
\$8,100,001 to \$9,100,000	10.8%	11.2%	11.2%	11.2%
\$9,100,001 to \$10,100,000	11.4%	11.6%	11.6%	11.6%
Over \$10,100,000	12%	12%	12%	12%

- Additionally, the cap on the maximum estate tax imposed on the estates of decedents dying on or after January 1, 2019, and gift tax imposed on taxable gifts made after January 1, 2019, will be reduced from \$20 million to \$15 million.
- The bill also makes conforming changes in requirements for filing tax returns with the probate court and releasing estate tax liens.

## MASSACHUSETTS

The Massachusetts estate tax exemption is and will remain at \$1 million in 2018. The Massachusetts estate tax rates range from 5.6% to 16%. Massachusetts still does not impose a gift tax.

## NEW YORK

New York also does not have a gift tax. The New York estate tax exclusion amount for a person dying during calendar year 2018 remains the same as for a person dying on or after April 1, 2017, at \$5,250,000. New York estate tax rates range from 5% to 16%; however, beware that if the New York taxable estate is 105% or more of the exclusion amount, the entire estate is subject to estate tax, not just the amount in excess of the exclusion amount. For example, if the taxable estate is equal to or less than the \$5,250,000 exclusion amount, no NY estate tax is owed; however, if the taxable estate is \$5,512,500 (or \$262,500 over the exclusion amount) the NY estate tax would be \$430,050.

In determining whether an estate must file a New York estate tax return, New York looks to the decedent's federal gross estate, plus federal taxable gifts made during the preceding 3-year period ending on the decedent's death. Gifts of real or tangible property located outside of New York, gifts made while the decedent was a nonresident of New York, or gifts made prior to April 1, 2014, are excluded.

*Please contact your Murtha Cullina estate planning attorney for more details or to discuss your planning options.*

*With more than 100 attorneys in six offices throughout Connecticut, Massachusetts and New York, Murtha Cullina LLP offers a full range of legal services to meet the local, regional and national needs of our clients. Our practice encompasses litigation, regulatory and transactional representation of businesses, governmental units, non-profit organizations and individuals.*

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