

NEWS ALERT

TRUSTS & ESTATES



Channeling Lewis Carroll: Connecticut Estate and Gift Tax Tables are (Still) Unclear

By Suzanne Brown Walsh | May 23, 2018

*'Twas brillig, and the slithy toves
Did gyre and gimble in the wabe:
All mimsy were the borogoves,
And the mome raths outgrabe.¹*

Through no fault of the Connecticut General Assembly, in late 2017 our newly increased Connecticut estate and gift tax exemptions were partially affected by the [2017 Federal Tax Act, commonly known as the Tax Cuts and Jobs Act of 2017](#). That act suddenly increased the federal basic applicable exclusion amount² for the estates of persons dying in 2018 to \$11.18M. Although the 2018 and 2019 Connecticut exemptions were fixed at \$2.6M and \$3.6M, respectively, the subsequent references in the tax tables to the newly-doubled federal exemption meant that the new Connecticut tax tables made about as much sense as Jabberwocky after 2019. (See our [client alert](#) explaining this issue in more detail.)

The General Assembly was all over tax reform in the just-ended 2018 legislative session enacting not one, but two bills addressing this problem. The [budget bill](#), which became effective on May 15, 2018 as Public Act 18-81, addresses this issue as follows:

Value of Taxable Estate or Gift	Marginal Rates					
	PA 18-81, Sections 66-68, effective May 15, 2018					
	2018	2019	2020	2021	2022	2023
Up to \$2,600,000	None	None	None	None	None	None
\$2,600,001 to \$3,600,000	7.2%					
\$3,600,001 to \$4,100,000	7.8%					
\$4,100,001 to \$5,100,000	8.4%	8.4%	10.0%	10.8%	11.6%	12.0%
\$5,100,001 to \$6,100,000	10.0%	10.0%				
\$6,100,001 to \$7,100,000	10.4%	10.4%	10.4%	10.4%	11.2%	12.0%
\$7,100,001 to \$8,100,000	10.8%	10.8%	10.8%	10.8%		
\$8,100,001 to \$9,100,000	11.2%	11.2%	11.2%	11.2%	11.2%	12.0%
\$9,100,001 to \$10,100,000	11.6%	11.6%	11.6%	11.6%	11.6%	
Over \$10,100,000	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Federal Basic Exclusion	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Over Federal Basic Exclusion	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%

¹Jabberwocky, by Lewis Carroll

²The federal basic exclusion amount is commonly referred to as the "exemption."

This extends the previous phase-in period for Connecticut's catch up to the larger federal exemption, clarifying that the Connecticut exemption will not equal the new, larger federal one until 2023. This in turn means that the Connecticut exemption is slated to return to \$5.0M in 2026, in accordance with the federal law.³

To make things really fun and more confusing, another [tax act](#), Public Act 18-49, contains a different tax table and increases the Connecticut exemption amount to \$5.49M in "2020 and thereafter." That means the Connecticut estate and gift tax exemptions would not increase after 2020 and would not equal the federal exemption by 2023. Once Governor Malloy signs that act, as he is expected to do, it will be up to the Legislative Commissioner's Office ("LCO") to interpret the two acts and codify them so they are consistent, creating one set of rules, and one tax table that makes sense. However, no one knows whether the result will be \$11M plus in 2023, or \$5.49M after 2019.

With any luck, we will all know the answer by October. Until then, Jabberwocky!

Please contact your Murtha Cullina estate planning attorney to discuss the impact of these developments on your estate plan in more detail.

³The federal exemption in 2026 will have adjusted itself for inflation in the interim, likely making it close to \$6.0M.

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