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TRUSTS & ESTATES NEWSLETTER

November 2017

Tax Updates

Connecticut Increases Estate and Gift Tax Exemptions

After months of delay, the Connecticut General Assembly passed, and the Governor signed in large part, a budget bill in the last days of October. The bill increases the Connecticut estate and gift tax exemption to meet the federal exemption after a two-year phase in period. Currently, the Connecticut estate and gift tax exemption is $2 million per person. The budget provisions increase that exemption to $2.6 million in 2018, $ 3.6 million in 2019 and match the federal exemption (currently $5.49 million plus inflation adjustments) in 2020 and thereafter. Unlike the federal exemption, the Connecticut exemption is not portable between spouses. Accordingly, exemption not used by the first-to-die spouse cannot be transferred to a surviving spouse and thus will be lost. As a result, many clients will continue to want to establish a trust or trusts at the death of the first-to-die to make maximum use of the Connecticut exemption.

The recent legislation also reduced the cap on the maximum combined Connecticut gift and estate tax payable from $20 million to $15 million effective January 1, 2019. The top rate for the Connecticut estate and gift taxes remains at 12%.

Good News!

Effective January 1, 2018, the maximum annual federal gift tax exclusion has been increased to $15,000 per recipient.

Given the multi-year phase-in of the increased Connecticut estate tax exemption amount, it is not immediately necessary for most clients to contact their Shipman & Goodwin estate planning attorney to review the impact of this legislation. However, as the Connecticut exemption moves towards matching the Federal exemption in the coming years, it will become important to review your current estate plan, not only in light of legislative changes, but also to consider changes to family, financial or other circumstances.

Reminder that IRA Charitable Rollover is Permanent

Federal legislation made permanent in recent years permits individual taxpayers to make certain charitable contributions directly from IRAs. Under this legislation, contributions made directly from an IRA to charity are not taxed as income to the taxpayer if the following requirements are met:

- The individual making the contribution must be at least 70 1/2 years of age on the date of the contribution.

Trusts & Estates

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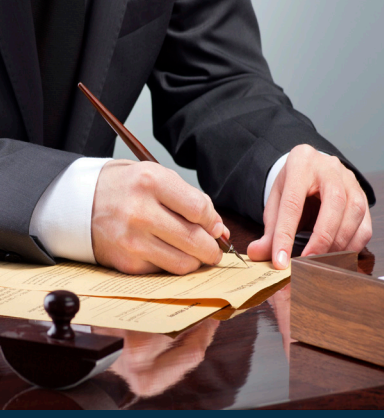

- The Act only applies to contributions of up to $100,000 per individual per year (or $200,000 for married taxpayers filing a joint return). Any contributions from an IRA over that amount are treated as taxed withdrawals which are then donated to charity.
- The Act applies only to contributions from traditional IRAs and Roth IRAs.
- The contribution must be DIRECTLY from the IRA to the charity;
- The charity must be a public charity

The Act will benefit individuals who are over 70 1/2 with traditional IRAs or Roth IRAs who (1) have already used (either directly or via carry-over) their entire charitable deduction allowed under Section 170 of the Internal Revenue Code during the taxable year; (2) want to make charitable contributions but do not itemize deductions; or (3) have income above the applicable threshold such that deductions under Section 170 of the Internal Revenue Code are not "dollar for dollar" deductions.

Department News

We are pleased to announce that Jeffrey A. Cooper is now a Special Counsel to Shipman & Goodwin LLP. Jeff is a tenured Professor of Law at Quinnipiac University School of Law, where he teaches and writes in the areas of trusts and estates, estate and financial planning, wealth transfer taxation, fiduciary investment management and trust investment law. He is also the Director of the Tax Concentration.

Jeff's notable experience, both in legal education and as a practicing attorney, affords attorneys throughout the firm the benefit of his significant knowledge when advising clients, including those in the banking fiduciary community.

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