

## Individual Series – Retirement Risk

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### Connecticut Estate and Tax Law Changes Written by Steven L. Tillona, CPA, CWS®

The new Connecticut state budget, signed October 31, 2017 by Governor Malloy, provides significant Connecticut estate and gift tax relief for 2018 and beyond. The Connecticut estate and gift tax will be increase from its current level of \$2,000,000 up to \$2,600,000 in 2018, and to \$3,600,000 in 2019. In 2020 and beyond, the Connecticut exemption would match the Federal estate and gift tax exemption. The annual exclusion amount will rise to \$15,000 in 2018, from \$14,000 which has been in place since 2013. Beginning 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 ramification.

Since October of 2017, when the budget was signed, several alternative plans surfaced as to phasing in the Connecticut estate tax threshold between 2020 and thereafter, rather than matching the federal estate and gift tax exemption of \$11,180,000 for 2018 through 2025. For the next eight years (2018-2025) the federal estate and gift tax exemption is \$11,200,000 indexed for inflation each year. A married couple with proper planning will be able to shield up to \$22.4 million from federal estate tax.

On May 15, 2018 the Connecticut general assembly enacted two bills addressing this problem. The budget bill, which became effective on May 15, 2018 as Public Act 18-81, addresses the issues as depicted in the table below.

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				
\$2,600,001 to \$3,600,000	7.2%	None	None			
\$3,600,001 to \$4,100,000	7.8%	7.8%		None		
\$4,100,001 to \$5,100,000	8.4%	8.4%			None	
\$5,100,001 to \$6,100,000	10.0%	10.0%	10.0%			None
\$6,100,001 to \$7,100,000	10.4%	10.4%	10.4%			
\$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%		
\$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%	
Federal Basic Exclusion	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%

This extends the previous phase-in period for Connecticut's catch up to the federal exemption, clarifying that the Connecticut exemption will not equal the federal exemption until 2023. This also means that the Connecticut exemption is slated to return to \$5.0M (this may be higher based upon the inflation percentage used) in 2026, in accordance with the federal law.

Making things more confusing is another tax act, Act 18-49, that references 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. 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 2020.

Estate planning and tax professional's advising Connecticut residents should review the recent changes in the law with their clients to determine what opportunities may exist for the coming year and beyond.

Should you have any questions about your retirement planning or the recent changes in the law, please contact us at Edu4Retirement, Inc. Michael Callahan and Steve Tillona are available for any questions.

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