

## **4. The Connecticut Estate and Gift Tax**

Discussion Draft  
12.12.15 revised

### **Estate and Gift Taxes**

For the present retain the current estate tax exemption level of \$2 million of the adjusted estate. The State should then further examine the option of phasing in the level of tax exemption in conformity with federal law.

Provide “portability” of the Connecticut estate tax exemption between spouses such that the unused exemption of the first to die may be claimed by the second-to-die’s estate as permitted for federal estate tax purposes.

Review current practice to ensure the full implementation of a Connecticut Qualified Terminable Interest Property (QTIP) election regardless of whether a federal QTIP election is made and independent from a federal QTIP election such that married couples can defer state estate taxes until the second death.

Eliminate the Gift tax but continue to enforce a rule that gifts made in contemplation of death are included in the value of the estate.

- Revenue Implications: Due to the high degree of volatility in the Estate and Gift Tax proceeds, providing a given year revenue impact is an exercise in uncertainty. Taken together, portability, QTIP, and elimination of the Gift Tax reduce E&G revenues by about 50% of current yields (\$207m to \$106m in FY 2014). The bulk of this revenue impact will result from adopting portability.

### **Probate Fee**

Revise the current formula of the probate fee for decedents’ estates so that it reflects an appropriate level as a direct user fee for estate settlement rather than a vehicle for paying for essential judicial services unrelated to decedents’ estates.