

Estate Planning & Settlement Newsletter

TAX AND ESTATE PLANNING UPDATE

JANUARY 2022

2022 FEDERAL AND CONNECTICUT ESTATE TAX AND GIFT TAX

The federal estate tax exemption for 2022 is \$12,060,000, an increase of \$360,000 from 2021. If a decedent's taxable estate exceeds this amount, the excess will be taxed at a flat rate of 40%. The exemption for married couples can total \$24,120,000, because the option of "portability" can be used at the first death to transfer any unused portion of the deceased spouse's exemption to the surviving spouse.

The Connecticut estate tax exemption for 2022 is \$9,100,000 and is scheduled to rise to match the federal estate tax exemption in 2023. Connecticut still does not offer the portability option. If a decedent's taxable estate exceeds the exemption amount, the excess is taxed at marginal rates between 11.6% and 12%. Estates with federal estate tax liability can deduct Connecticut estate tax, which reduces the effective rate of the Connecticut estate tax by 40%.

The federal and Connecticut gift tax annual exclusions have increased for the first time since 2018 to \$16,000. One spouse may give up to \$32,000 to each recipient if the other spouse consents to "split gifts" on a gift tax return. Gifts exceeding the annual exclusion incur no federal gift tax until cumulative excess gifts reach the federal lifetime exemption of \$12,060,000, but these gifts also must be recorded on a gift tax return. The lifetime exemption for Connecticut gift tax purposes will increase as the Connecticut estate tax exemption increases. Certain gifts avoid tax without using the annual exclusion or the lifetime exemption. Non-taxable gifts include tuition payments made directly to qualifying educational institutions and medical payments made directly to healthcare providers.

THE FUTURE OF THE FEDERAL ESTATE TAX

As we have mentioned in past newsletters, in 2026 the federal estate tax exemption is scheduled to decrease to \$5 million with an inflation adjustment. At this time, we anticipate the 2026 exemption will exceed \$6 million. New tax legislation may accelerate this decrease sooner than 2026. Despite several proposals in early 2021 to change the estate and gift tax laws, the current version of the Build Back Better Act does not reduce the exemption. Nevertheless, we are monitoring anticipated changes to tax law, and any significant changes will be the subject of a future newsletter. While the exemption amounts remain high, you may have an opportunity to make gifts to use some or all of your available exemptions. Please contact us if you would like to discuss making gifts as part of your estate planning this year.

NEW SATELLITE OFFICE IN FARMINGTON

We have relocated our West Hartford satellite office to 231 Farmington Avenue in Farmington. We are the first office on the first floor of the east lobby, which is on the left-hand side of the building. The Farmington office has a free, convenient parking lot.

NEW RMD TABLES FOR 2022

The IRS published new life expectancy tables for calculating Required Minimum Distributions (“RMDs”) from Individual Retirement Accounts (“IRAs”) and other retirement plans. These new tables went into effect on January 1, 2022, and will impact RMDs that must be taken by December 31, 2022. Clients who are already taking RMDs should review the following tables with their advisors. Note that this table is not used to calculate RMDs for inherited IRAs.

UNIFORM LIFETIME TABLE

For all unmarried IRA owners calculating their own withdrawals, married owners whose spouses are not more than 10 years younger, and married owners whose spouses are not the sole beneficiaries of their IRAs.

Age	Distribution Period	RMD as a % of Account Balance
70	29.1	3.44%
71	28.2	3.55%
72	27.4	3.65%
73	26.5	3.78%
74	25.5	3.93%
75	24.6	4.07%
76	23.7	4.22%
77	22.9	4.37%
78	22	4.55%
79	21.1	4.74%
80	20.2	4.96%
81	19.4	5.16%
82	18.5	5.41%
83	17.7	5.65%
84	16.8	5.96%
85	16	6.25%
86	15.2	6.58%
87	14.4	6.95%
88	13.7	7.30%
89	12.9	7.76%
90	12.2	8.20%
91	11.5	8.70%
92	10.8	9.26%
93	10.1	9.91%
94	9.5	10.53%
95	8.9	11.24%
96	8.4	11.91%
97	7.8	12.83%
98	7.3	13.70%
99	6.8	14.71%
100	6.4	15.63%
101	6	16.67%

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If you would like to discuss how the estate tax laws affect your estate plan, or if it is time to have your documents reviewed because of changes in family circumstances, please contact us. We carefully customize estate plans to our clients' individual circumstances and personal objectives.

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