REID & RIEGE
ATTORNEYS

Estate Planning & Settlement Newsletter

TAX AND ESTATE PLANNING UPDATE | JANUARY 2020

CONNECTICUT ADOPTS THE UNIFORM TRUST CODE

Connecticut recently enacted new trust legislation known as the Connecticut Uniform Trust Code ("UTC"), which became effective on January 1, 2020. This legislation originates from a model law that has been adopted in some form by 34 states. The UTC expands existing trust law and presents new estate planning opportunities in Connecticut.

Duty to Inform and Report to Beneficiaries. The UTC requires trustees to provide greater notice and information to beneficiaries of trusts, particularly for trusts that become irrevocable on or after January 1st. Some of these requirements can be waived in the trust document. In addition, the trust settlor can name an individual to receive notices on behalf of a beneficiary in the trust document. If you have an existing revocable trust and have privacy concerns regarding who may receive trust information in the future, you may wish to amend your trust to waive some of the new notice rules or designate a representative to receive notices on behalf of a beneficiary.

Trust Modification & Termination. The UTC provides new options for modifying or terminating irrevocable trusts. This presents new opportunities for addressing changed circumstances, and problematic or unclear trust terms.

Long-Term Trusts. Under the new law, a trust governed by Connecticut law can last for up to 800 years. Individuals can now set up long-term trusts that last for several generations, which are often referred to as "dynasty trusts." The federal generation-skipping transfer ("GST") tax may impact the utility of establishing a dynasty trust.

Directed Trusts. Under Connecticut's directed trust law, the trustee role can be bifurcated so that someone other than the trustee can direct certain actions in connection with the administration of the trust, such as making distribution decisions or managing the investments. Under this arrangement, the trustee is generally not liable for following these directions, which constitutes a significant change from prior law. This could be a helpful planning tool for individuals who intend to transfer real estate, business interests, or uncommon assets to their trust.

OUR TEAM

Greg Barringer retired as a stockholder of the firm in December 2019. We are grateful to have had the privilege to work with Greg for the past thirteen years.

We are pleased to announce that Ingi-Mai Loorand rejoined the firm as a stockholder in our New Haven office.

Asset Protection Trusts. Connecticut now recognizes self-settled asset protection trusts that allow an individual to put his or her own assets into an irrevocable trust for his or her own benefit and have those assets protected from many future creditors. There are specific requirements for creating these types of trusts, and the law imposes a waiting period of at least 4 years before the assets are generally unreachable by creditors.

We expect future newsletters will cover some of these topics in greater detail.

2020 FEDERAL AND CONNECTICUT ESTATE TAX AND GIFT TAX

The federal estate tax exemption for 2020 is $11,580,000, an increase of $180,000 from 2019. 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 $23,160,000, 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 2020 is $5,100,000 and is scheduled to rise to $7,100,000 in 2021, $9,100,000 in 2022, and thereafter to match the federal estate tax exemption. Notably, 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 10% 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 remain at $15,000. One spouse may give up to $30,000 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 $11,580,000, 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.

NEXT STEPS

If you would like to discuss how the new trust law impacts your estate plan, or if you think it is time to have your documents reviewed, please contact us. Please be aware that the increased federal estate tax exemption and the rising Connecticut estate tax exemption may present opportunities for you to make additional gifts to utilize some or all of your increased lifetime exemption. This opportunity may not exist if the law changes in the future.

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.

John Paul Callahan
(860) 240-1069 • jcallahan@rrlawpc.com

John R. Ivimey
(860) 240-1062 • jivimey@rrlawpc.com

Sydney S. Kislin
(860) 240-1086 • skislin@rrlawpc.com

Ingi-Mai Loorand
(203) 401-6146 • iloorand@rrlawpc.com

Frederick J. Mullen Jr.
(860) 240-1048 • fmullen@rrlawpc.com

Katherine E. Mulry
(860) 240-1094 • kmulry@rrlawpc.com

Barbara A. Taylor
(860) 240-1033 • btaylor@rrlawpc.com

For other information regarding Reid and Riege, P.C., please visit our website at www.rrlawpc.com or contact us at:

Reid and Riege, P.C.
One Financial Plaza
Hartford, CT 06103

or

Reid and Riege, P.C.
234 Church Street
New Haven, CT 06510