REID AND RIEGE P.C.
COUNSELLORS AT LAW

Individual Clients Group Newsletter

Winter 2015

Tax and Estate Planning Update

Federal Estate Tax

The federal estate tax exemption for the 2015 tax year is $5,430,000. If a decedent's taxable estate (assets owned at death plus lifetime taxable gifts) exceeds this amount, the excess will be taxed at a flat rate of 40%. For married couples the exemption can total $10,860,000 in 2015, 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 opportunity to use portability arises when the estate of the spouse who dies first is smaller than the exemption, or assets pass tax-free to the surviving spouse through the marital deduction. Portability can be elected only on a timely filed federal estate tax return for the spouse who dies first.

Connecticut Estate Tax

There are no changes to the Connecticut estate tax exemption, which is $2,000,000. If a decedent's taxable estate exceeds $2,000,000, the excess is taxed at marginal rates between 7.2% and 12%. The Connecticut taxable estate is composed of lifetime taxable gifts made after 2004 plus assets owned at death. Qualified transfers to a spouse or to charity are not taxable. Connecticut does not offer the portability option. Note: the Connecticut estate tax is deductible for federal estate tax purposes.

Gift Tax

For 2015, the federal and Connecticut gift tax annual exclusions remain unchanged at $14,000 per recipient. One spouse may give up to $28,000 to each recipient if the other spouse consents to "split gifts" on a gift tax return. For 2015, gifts that exceed the annual exclusion incur no federal gift tax until cumulative excess gifts reach the federal lifetime exemption of $5,430,000, but these gifts also require a gift tax return to be filed. The lifetime exemption for Connecticut gift tax purposes is $2,000,000, but only gifts made after 2004 count toward that exemption.

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.

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A New Member of Our Team

We are pleased to announce that **Katherine E. Coleman** recently joined the Individual Clients Group as an Associate. Katherine's practice focuses on estate planning, estate settlement and tax. While in law school, Katherine represented taxpayers before the IRS and Connecticut Department of Revenue Services through the University of Connecticut School of Law Tax Clinic, and she prepared income tax returns through the Volunteer Income Tax Assistance program. Katherine received her J.D., with high honors, and Tax Certificate from the University of Connecticut School of Law and her B.A., *magna cum laude*, Phi Beta Kappa, from the College of the Holy Cross.

Fiduciary Services Group Update

We are pleased to be currently assisting 60 of our client families with their wealth management needs, with over $250 million under management. Under David Sullivan's leadership, the group supervises the investment of taxable and non-taxable assets, coordinates cash flow needs, executes family and charitable gift plans, and assists with elder care management programs, bill paying and other financial challenges.

We are also pleased to announce that **Kelly McLain** joined our team as Trust Administrator in October. Kelly comes to us after several years of trust administration experience at First Niagara Bank, N.A., and its predecessor organization, Trust Company of Connecticut.

If you are interested in learning more about the fiduciary services we provide, please contact any Individual Clients Group attorney (see the contact information below) or call David Sullivan directly at (860) 240-1022.

Estate Planning for Digital Assets

Enclosed with this newsletter is an article which we hope you will find to be both helpful and informative, titled "Estate Planning for Digital Assets" and written by Attorney Ingi-Mai Loorand. We all need to consider the potential repercussions to our assets and families if we do not adequately plan for access to our digital universe after death.

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We carefully customize estate plans to our clients' individual circumstances and personal objectives. 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.

This newsletter was written by Ingi-Mai Loorand, an attorney in the Individual Clients Practice Area at Reid and Riege, P.C. To discuss these matters in greater detail, please contact:

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