

Is New York State Estate Tax Reform on the Horizon?



By Patricia C. Marcin, Esq. ©2014



Currently, when you die, New York State imposes an estate tax on your assets exceeding \$1 million that pass to your heirs. The top New York estate tax rate is 16%. Just own a house and have a retirement plan and your assets exceed \$1 million quickly. Other states, like Florida, do not impose any estate tax, causing some retirees to flee New York State for less expensive estate taxes.

In his proposed executive budget announced this past January, Governor Cuomo proposed raising the New York State estate tax exemption to better comport with the federal estate tax exemption (which is \$5,340,000 for 2014). The increased exemption would be phased in over four years to \$5.25 million, and would be indexed for inflation thereafter. This means that New York estate tax would be imposed if you die owning more than \$5.25 million in assets that pass to your heirs. The top New York estate tax rate would be reduced from 16% to 10%. If adopted, these changes would phase in for people dying on or after April 1, 2014.

Under current New York law, there is no gift tax and, for the most part, gifts made during life escape New York transfer tax; that is, these gifts are not "added back" to your estate when you die for purposes of computing the New York estate tax owed. Under the governor's proposed budget, however, a New York resident's estate at death would be increased by the amount of any taxable gift made on or after April 1, 2014. This is intended to prevent "deathbed" gifts from escaping the estate tax, similar to the federal estate tax law.

Severely reducing the estate tax would be a huge change for New York State, and one that has been resisted for decades. It may happen, sooner or later, but no one can be sure. In view of the proposal to "bring back" gifts made after April 1, 2014 into a New York resident's estate when he/she dies for purposes of computing (and increasing) the estate tax, if you have plans to make substantial gifts to your heirs anyway, you may want to consider making these gifts before April 1, 2014.

If there is a trusts or estates topic that you would like to know more about, please feel free to email me at pmarcin@farrellfritz.com with your suggestion and I will do my best to cover it in a future column.

Patricia C. Marcin is an attorney at the law firm of Farrell Fritz, P.C. concentrating in trusts, estates and tax law. She can be reached at pmarcin@farrellfritz.com or at 516-227-0611.



"I'm so glad we updated our wills. Farrell Fritz helped us understand all the recent changes and the best part is, we minimized our estate taxes. I feel so much more secure about our family's future."

F FARRELLFRITZ^{PC}
ATTORNEYS
BECAUSE SUCCESS MATTERS.

1320 RXR Plaza, Uniondale, NY 11556-1320
516.227.0700 | www.farrellfritz.com

The quote used in this advertisement is a dramatization, not based upon a specific event. Prior results do not guarantee a similar outcome.