



WILLS, TRUSTS & ESTATES:

— PLAIN AND SIMPLE

Estate and Gift Tax Rates for 2014

By: Patricia C. Marcin, Esq. © 2014



The total amount that each person can give away to people other than spouses and charities, during life or at death (combined), without having to pay federal gift or estate tax has been increased to \$5,340,000 beginning January 1, 2014, up from \$5,250,000 in 2013. That means that married couples can give away a total of \$10,680,000 to children, grandchildren and others without incurring any federal transfer taxes. The gift tax annual exclusion amount remains at \$14,000 (\$28,000 for married couples) per donee per year. The top federal gift and estate tax rates remain at 40% for 2014. New York, however, is another story.

New York has its own separate estate tax system. It does not impose gift tax on transfers made during a donor's life. The

total that each person can give away to people other than spouses and charities without having to pay New York State estate tax remains at \$1 million for 2014. While the top New York State estate tax rate remains at 16% for 2014, it is important to note that the New York State estate tax computation requires two separate calculations and is based on the 1998 federal estate tax exemption amount (just \$1 million). This can result in the actual estate tax rate paid being higher than 16%.

Since there is no New York State *gift* tax, it is wise to consider making gifts to reduce the assets left in your estate at your death. But be cautious and consider the federal and New York State capital gains tax consequences of making gifts, as the donee takes the gifted assets with your income tax basis. The following chart shows scenarios of the effects of lifetime giving on New York State *estate* taxes:

NYS

Beginning Assets	Value of life-time gift	Value of Estate at Death	Estate Tax
\$5,000,000	\$0	\$5,000,000	\$391,600
\$5,000,000	\$1,000,000	\$4,000,000	\$280,000
\$5,000,000	\$2,500,000	\$2,500,000	\$138,800
\$5,000,000	\$4,000,000	\$1,000,000	\$33,200
\$5,000,000	\$4,500,000	\$ 500,000	- 0 -

Note that lifetime gifts totaling under \$5,340,000 will result in no federal gift tax, and there will be no federal estate tax if the value of your lifetime gifts plus the value of your assets remaining at your death totals under \$5,340,000. Your advisor can discuss with you many estate planning techniques that can be considered to moderate income, gift and estate tax consequences.

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. I will do my best to cover it in a future column.

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"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."

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