

WILLS, TRUSTS & ESTATES: Plain And Simple

ESTATE AND GIFT TAX RATES FOR 2015

By Patricia C. Marcini, 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 \$5,430,000 beginning January 1, 2015, up from \$5,340,000 in 2014. That means

that married couples can give away a total of \$10,860,000 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 2015. 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 has been increased to \$2,062,500 for people dying after April 1, 2014 and before March 31, 2015, increasing each April 1 to eventually equal the federal estate tax exemption amount in 2019. There is also, however, an *estate* tax "cliff", which phases out the exemption for estates that are valued between 100% and 105% of the New York exemption amount (that is, between \$2,062,500 and \$2,165,625 until April 1, 2015, with all benefit of the exemption being wiped out if the taxable estate exceeds \$2,165,625).

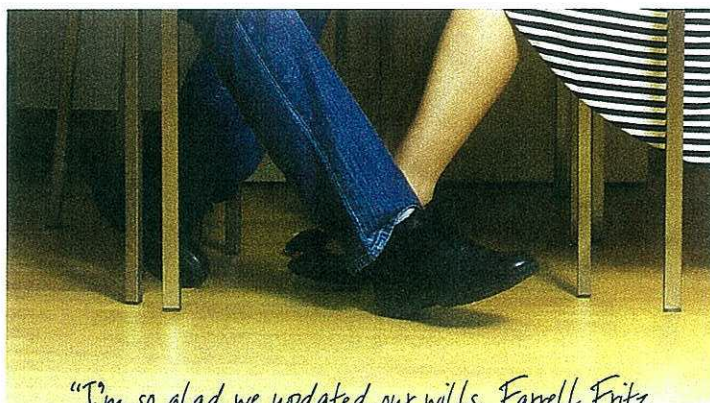
Note that each spouse has their own separate New York exemption amount, but if you don't take advantage of it on the death of the first spouse, you lose it (unlike federal law, which permits the surviving spouse to "inherit" the deceased spouse's unused exemption amount). The top New York State estate tax rate remains at 16% for 2015.

Since there is no New York State *gift* tax, it may be wise to consider making gifts to reduce the assets left in your estate at your death. Note, however, that New York law now adds back to your taxable estate all taxable gifts you made during the three year period immediately preceding your death. Also, 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.

Note that, for 2015, lifetime gifts totaling under \$5,430,000 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 \$5,430,000 in 2015. 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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