



GOVERNOR LAMONT'S BUDGET PROPOSAL INCLUDES POTENTIAL CHANGES TO CONNECTICUT'S ESTATE AND GIFT TAX

February 19, 2019

Governor Lamont's proposed budget titled "A Path Forward" for Fiscal Year 2020 and 2021 was announced on February 20, 2019 (the "Proposed Budget") and includes changes to Connecticut's estate and gift tax regime.

The Proposed Budget includes the elimination of the Connecticut gift tax. Connecticut is currently the only state in the country with a gift tax. Historically, the Connecticut gift tax exemption has been lower than the federal gift tax exemption. This disparity has prevented many wealthy Connecticut taxpayers from utilizing their full federal gift tax exemption during their lifetimes.

The Proposed Budget also includes a provision that clarifies the confusion created by the passing of two separate estate tax bills in 2018. The Proposed Budget has a provision that confirms that the Connecticut exemption will continue to rise over time and match the federal exemption in 2023. In 2019, there is a \$3,600,000 Connecticut estate tax exemption. The Connecticut estate exemption will increase to \$5,100,000 in 2020, \$7,100,000 in 2021 and \$9,100,000 in 2022. In 2023, the Connecticut estate tax exemption will match the federal estate tax exemption.

In addition, the Proposed Budget returns the due date of the estate tax payment to 9 months after the date of death so it falls in line with the due date for the federal estate tax return. Connecticut is also the only state with an estate tax that requires the payment prior to the payment of the federal estate tax payment. Currently, the Connecticut estate tax payment is due 6 months after the date of death.

It is important to note that the Governor's budget proposal is normally the starting point for negotiating a budget with the legislature. We may see drastic changes to these proposals during the legislative process. Please stay tuned to our website or our LinkedIn page for further updates as the Proposed Budget makes its way through the legislature. If you have any questions in the meantime, feel free to contact your Cummings & Lockwood attorney.