CUMMINGS & LOCKWOOD LLC

CLIENT ALERT - NEW YORK ESTATE TAX LAWS

February 2014

Dear Clients:

Recently Governor Cuomo submitted a budget bill which includes significant changes to the New York estate tax laws. The good news is that if the bill is passed by the New York Assembly, New York's estate tax exemption will rise over the next five years from its current level of $1,000,000 to match the federal level of $5,000,000 indexed for inflation. In addition, New York's maximum estate tax rate will decrease from 16% to 10%.

However, the method for determining the size and value of a New York resident's estate will also change in ways less favorable for clients. If the Governor's budget bill is passed, New York residents will have the value of all gifts made by them after March 31, 2014 added back to the value of their estates for the purposes of calculating the total New York estate tax due at death.

This means that gifts which under current law were not taxed by New York at the time of the gift or at death, will now be subject to estate tax when the donor dies. Because the law would only apply to gifts made after March 31, 2014, now may be an ideal time for New York residents to consider making large gifts. This is especially true for clients who have not yet used their full federal gift tax exemption and therefore can make large gifts without the imposition of federal gift tax.

Please contact your Cummings & Lockwood LLC attorney as soon as possible if you would like to discuss whether you should consider making gifts before March 31, 2014 in order to potentially reduce your eventual New York estate tax liability.

In this Update, we have deliberately simplified technical aspects of the law in the interest of clear communication. Under no circumstances should you or your advisors rely solely on the contents of this Update for legal advice, nor should you reach any decisions with respect to your personal tax or estate planning without further discussion and consultation with your advisors.

In accordance with IRS Circular 230, we are required to disclose that: (i) this Update is not intended or written by us to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) this Update was written to support the promotion or marketing of the transaction(s) or matter(s) addressed by such materials; and (iii) each taxpayer should seek advice on his or her particular circumstances from an independent tax advisor.