Summer 2019

Estate Planning Update Summer 2019 - New York Updates: New York Clings to Estate Tax 'Cliff' and Lower Estate Tax Exemptions

The federal estate tax exemption is currently much larger than the New York State exemption ($11.4 million versus $5.74 million in 2019). While neighboring states have repealed their estate tax or increased exemption amounts, New York remains committed to its current exemption and its estate tax "cliff," under which estates exceeding the exemption amount by as little as 5% lose the entire benefit of the exemption and are taxed on the full value of the estate, not just on the amount over the New York exemption. Under this regime, a New York taxable estate of $5.74 million would not be subject to estate tax, but a slightly larger estate of $6 million would owe $495,800 in New York estate tax.

To prevent New Yorkers from making deathbed gifts to avoid the cliff, New York reinstated a three-year clawback on taxable gifts made within three years of death. The clawback applies to gifts made between April 1, 2014, and January 1, 2026 (with a limited exception for gifts made between January 1 and January 15, 2019). Gifts made during this period, if occurring within three years of death, will be added back to the decedent's taxable estate for purposes of calculating New York estate tax.

If you believe you may be impacted by the cliff or the three-year clawback, please contact your Day Pitney estate planning attorney to discuss planning opportunities that may be available to you.