

# Have you taken state estate taxes into account?

Published on January 18, 2018

The Tax Cuts and Jobs Act has doubled the federal gift and estate tax exemption, with inflation-adjustments projected to raise it to approximately \$11.2 million for 2018. This means federal estate taxes are a concern for fewer families, at least in the short term. (The doubled exemption expires December 31, 2025.) But it's important to consider how *state* estate or inheritance taxes may affect your estate plan.

There's uncertainty about how states will respond to the increased federal estate tax exemption. One line of thought is that many states will continue to "decouple" from the federal exemption and impose their own estate tax exemptions at a lower amount.

## Establishing residency in a new state

If your estate is large enough that estate tax liability is a concern, one option is to move to a state that imposes low or no estate or inheritance taxes. But moving to a tax-friendly state doesn't necessarily mean you've escaped taxation by the state you left. Unless you've cut all ties with your former state, there's a risk that the state will claim you're still a resident and are subject to its estate tax.

Even if you've successfully established residency in a new state, you may be subject to estate taxes on real estate or tangible personal property located in the old state (depending on that state's tax laws). And don't assume that your estate won't be taxed on this property merely because its value is less than the federal exemption amount. In some states, estate taxes are triggered when the value of your *worldwide* assets exceeds the state's exemption amount.

## **Terminating residency with a previous state**

If you're relocating to a state with low or no estate taxes, please consult with us about steps you can take to terminate residency in the old state and establish residency in the new one. Examples include acquiring a residence in the new state, obtaining a driver's license and registering to vote there, receiving important documents at your new address, opening bank accounts in the new state and closing the old ones, and moving cherished personal possessions to the new state.

If you own real estate in the old state, consider transferring it to a limited liability company or other entity. In some states, interests in these entities may be treated as nontaxable intangible property. Please contact us to learn more about how state estate or inheritance taxes may affect your estate plan.

© 2018

The Law Office of Eugene Gorrin, LLC  
17 Watchung Avenue, Suite 204  
Chatham, NJ 07928  
973.701.9300  
[egorrin@gorrinlaw.com](mailto:egorrin@gorrinlaw.com)  
[www.gorrinlaw.com](http://www.gorrinlaw.com)