

Will Massachusetts Repeal Their Estate (Death) Taxes ?

FOR 31 of the states in the United States, the estate tax is now something only the very wealthy have to plan for. The federal exemption for an individual this year is now \$5.34 million, or \$10.68 million for a married couple. And that amount is indexed to inflation, so it will continue to rise.

We in Massachusetts fall into the exception along with 18 other states, mostly in the North, where state estate taxes remain and ensnare middle- and upper-middle-class residents — the very people the high federal exemption was supposed to protect. The Massachusetts exemption amount for each individual is \$ 1,000,000. If married couples draft proper estate plans then the exemption amount can rise to \$2M.

The worst for taxpayers is New Jersey, with the lowest exemption in the country, \$675,000 a person, and a rate that tops out at 16 percent. (Rhode Island is second.) New Jersey also has an inheritance tax — for bequests to, say, a niece or friend — which starts to be applied at \$500. The rate is 15 percent until the amount reaches \$700,000 and then it rises to 16 percent. (One concession: The estate pays the higher of the two taxes, not both.)

Massachusetts estate tax is graduated like the federal income tax and tops out at 16%. However, and this is a big however, if the total estate value exceeds the \$1M exemption amount then the exemption is “lost” and tax begins on the first \$1.00. This estate tax is imposed at the time you pass away, upon all of your assets and upon those very assets which you have already paid all the “known” taxes.

This week, New York’s governor, Andrew M. Cuomo, took a step toward bringing the state’s estate tax in line with the federal one. And he is not alone among governors of cold-weather states (along with the District of Columbia) that have realized affluent residents are moving to states without estate taxes (and in some cases, income taxes) and in doing so, depriving their old state of the other taxes they paid, like property, sales and income tax.

Stay tuned as to whether or not Massachusetts will join the majority of states and repeal the Commonwealth current estate taxes and not impose what amounts to be “death” taxes. There is nothing about repeal in front of the state’s legislature.