

Memorandum

Estate Planning Update

July 21, 2015

Possible Changes to Valuation Methodology for Family Entities on the Horizon

Treasury regulations may be issued in the near term that could impact valuation methodology for family entities including Family Limited Partnerships (FLPs) and Family Limited Liability Companies (LLCs), resulting in overall increased valuations for gifts of interests in these entities. In May 2015, Cathy Hughes from the Treasury Department's Office of Tax Policy indicated that proposed regulations might be released as early as September 2015 which could impact the valuation of transfers of FLPs or LLCs controlled by family members by disregarding certain transfer restrictions where such restrictions could lapse or be removed by members of the family. While the timing and precise content of these regulations is far from certain, it may be that only transfers completed prior to the effective date of any such regulations would be shielded from the new rules.

Increase in Connecticut Probate Fees Makes Connecticut an Even More Expensive Place to Die

Legislation recently adopted in Connecticut eliminated the cap on probate fees (previously set at \$12,500). The legislation also increased the rate imposed on probate fees, with a new rate of .5% for Connecticut residents with estates valued at more than \$2 million (and non-residents owning property with that value located in Connecticut) who die on or after January 1, 2015. (This is the same threshold for imposition of the Connecticut estate tax, which is imposed at a top rate of 12%.) Essentially, what was once a minor fee of a few thousand dollars will now be a significant expense for large estates (for example, an estate valued at \$20 million will owe probate fees of nearly \$100,000). Probate fees are halved with respect to assets passing to a decedent's surviving spouse, and do not apply to property located outside of Connecticut. Also noteworthy, Connecticut instituted a \$20 million cap on the amount of estate tax payable for decedents dying on or after January 1, 2016.

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