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Client Alert

Proposed Changes to (E)state Taxes

Exciting news! With everything that is going on in the world these days, we would understand if the proposed changes to the Massachusetts estate tax didn't make it onto your news feed. For those of us in the estate planning business, however, this week's pending legislation has grabbed our attention as it could mean a significant tax break for many of our clients.

The Massachusetts legislature is currently debating a bill which would change the state estate tax in two important ways:

- First, the bill would double the threshold at which the estate tax kicks in, from the current \$1,000,000 threshold to \$2,000,000. Among states with an estate tax, Massachusetts had previously been tied for the lowest threshold, and while this doubling to \$2,000,000 would be significant, it will still place Massachusetts within the bottom three states with the lowest state estate tax thresholds.
- Second, the bill would eliminate the "cliff" effect in the current Massachusetts estate tax. Today, any taxable estate worth over \$1,000,000 is subject to the state estate tax on the entire value of the taxable estate, back to the first dollar. The new bill would eliminate this "cliff" in favor of a true exemption, meaning that the first \$2,000,000 of a Massachusetts taxable estate would incur no state estate tax, period.

There has not yet been a vote on this proposed legislation, so we will track it as it develops and send an update if the bill is passed by the legislature.



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