Estate Tax Study

Connecticut Department of Revenue Services
Connecticut Office of Policy and Management
February 1, 2008

Public Act 07-1, of the June Special Session, directed the Commissioner of Revenue Services, in consultation with the Secretary of the Office of Policy and Management, to conduct a study of the Connecticut estate tax and submit a report to the Governor and the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding.

This report is in response to that directive and provides an overview of the history of the estate tax, the current Connecticut estate tax, information on other states, tabulations and feedback from a survey sent to practitioners who provide estate tax planning, migration patterns based on Internal Revenue Service data and other research identified in our study.

Both the Office of Policy and Management and the Department of Revenue Services would like to extend their appreciation to the Connecticut Society of Certified Public Accountants and the Connecticut Bar Association, Estate Tax and Probate Section for their help in conducting the survey of practitioners.

The Federal Estate Tax

History

The federal estate tax has been a feature of the tax code for much of the last two hundred years. A historical review shows a pattern of enactment and repeal. Enactment often occurred with the goal of raising revenue for a specific purpose, primarily, military spending. Repeal often occurred in times of economic prosperity when the specific revenue need decreased. In 1797, the Stamp Act enacted a small graduated transfer tax in order to develop a strong navy. That tax was repealed in 1802. A series of acts created the federal inheritance tax in 1862-66 in order to finance the Civil War and was repealed in 1870. In 1898, the War Revenue Act established an estate tax to defray the costs of the Spanish American War and was repealed in 1902. Estate taxes became a permanent source of federal revenue with the enactment of the Revenue Act of 1916.

The estate of a decedent who, at death owns assets valued in excess of the estate tax exemption amount, is required to file a federal tax return. The federal form integrates gifts and the value of the estate by adding lifetime gifts to the gross estate to form the tax base, but allows a credit on the tax due for the value of the lifetime gift taxes paid. Additionally, expenses and losses incurred in the administration of the estate, funeral costs, and the decedent's debts are allowed as deductions against the estate for the purpose of calculating the tax. A deduction is allowed for the full value of bequests to the surviving spouse, including bequests in which the spouse is given only a life interest, subject to certain restrictions. Bequests to qualified charities are also fully deductible. Estate tax law is based on the decedent's year of death and is due 9 months from the date of death.

With the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), Congress significantly altered the framework of the federal estate tax. The exemption amount for estates was increased incrementally from $675,000 to $3,500,000. The highest tax rate on estates was decreased from 55 percent to 45 percent. The following chart shows the changes made by the Act.

Federal Estate Tax Changes
(EGTRRA)

Year of Death	Estate Tax Exemption	Top Estate Tax Rate (Percent)
1999	$650,000	55
2000	$675,000	55
2001	$675,000	55
2002	$1,000,000	50
2003	$1,000,000	49
2004	$1,500,000	48
2005	$1,500,000	47
2006	$2,000,000	46
2007	$2,000,000	45
2008	$2,000,000	45
2009	$3,500,000	45

Barring further Congressional action, the estate tax is repealed for deaths occurring in 2010 but will be reinstated for deaths occurring on or after January 1, 2011, at an exemption level of $1,000,000 and a top rate of 55 percent.

The Effect of EGTRRA on States

Prior to the passage of the EGTRRA, the federal government allowed a credit for state estate taxes paid. The credit was based on the following schedule.

Credit for State Death Taxes
As of December 31, 2000

Taxable Estate Value	Maximum Credit
Not over $90,000	8/10th of 1% of the amount over $40,000
$90,001 to $140,000	$400 plus 1.6% of the excess over $90,000
$140,001 to $240,000	$1,200 plus 2.4% of the excess over $140,000
$240,001 to $440,000	$3,600 plus 3.2% of the excess over $240,000
$440,001 to $640,000	$10,000 plus 4.0% of the excess over $440,000
$640,001 to $840,000	$18,000 plus 4.8% of the excess over $640,000
$840,001 to $1,040,000	$27,600 plus 5.6% of the excess over $840,000
$1,040,001 to $1,540,000	$38,800 plus 6.4% of the excess over $1,040,000
$1,540,001 to $2,040,000	$70,800 plus 7.2% of the excess over $1,540,000
$2,040,001 to $2,540,000	$106,800 plus 8.0% of the excess over $2,040,000
$2,540,001 to $3,040,000	$146,800 plus 8.8% of the excess over $2,540,000
$3,040,001 to $3,540,000	$190,800 plus 9.6% of the excess over $3,040,000
$3,540,001 to $4,040,000	$238,800 plus 10.4% of the excess over $3,540,000
$4,040,001 to $5,040,000	$290,800 plus 11.2% of the excess over $4,040,000
$5,040,001 to $6,040,000	$402,800 plus 12.0% of the excess over $5,040,000
$6,040,001 to $7,040,000	$522,800 plus 12.8% of the excess over $6,040,000
$7,040,001 to $8,040,000	$650,800 plus 13.6% of the excess over $7,040,000
$8,040,001 to $9,040,000	$786,800 plus 14.4% of the excess over $8,040,000
$9,040,001 to $10,040,000	$930,800 plus 15.2% of the excess over $9,040,000
$10,040,001 and over	$1,082,800 plus 16% of the excess over $10,040,000

For example, if the gross federal taxable estate was $7,250,000, which included $2,000,000 in lifetime gifts, the tentative tax would have been $3,628,300. That amount would have been reduced by the unified credit on gift taxes paid of $220,550 and the credit for state estate taxes paid of $671,200, making the net federal estate tax due $2,736,550.

Prior to passage of the EGTRRA, every state and the District of Columbia imposed an estate tax equal to the federal credit for state estate taxes paid, commonly referred to as the sponge tax. This effectively gave the states a part of the estate tax that would otherwise be payable to the federal government.

The credit for state estate taxes paid was phased out in the EGTRRA. The credit decreased from 100% to 75% of the credit for state estate taxes paid for 2002, to 50% for 2003 and 25% for 2004. In 2005, the credit for estate taxes paid was replaced by a deduction for state estate taxes paid. Since state revenue was tied to the federal credit for estate taxes, the reduction in the allowable credit translated into a loss in state revenue.

Actions by States

Fifteen states that levied the sponge tax prior to 2001 have retained their estate taxes. Of these, twelve states Illinois, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Oregon, Rhode Island, Vermont and Wisconsin decoupled from the federal estate tax law and continue to levy an estate tax that is the same or very similar to the estate tax prior to the passage of the EGTRRA. Virginia also decoupled from federal estate tax law but repealed their tax on July 1, 2007. Three states, Connecticut, Kansas and Washington replaced their sponge tax with an estate tax that was similar to what they received from the sponge tax but is not tied to the federal tax.

Nine states, Indiana, Iowa, Kentucky, Louisiana, Nebraska, Ohio, Oklahoma, Pennsylvania and Tennessee levy a state inheritance or estate tax that was never tied to the federal sponge tax. Nebraska repealed their state inheritance tax for deaths occurring on or after January 1, 2007, however, they still levy an inheritance tax at the county level.

Two states, Maryland and New Jersey levy both an estate tax that is similar to the sponge tax prior to the passage of the EGTRRA and a separate inheritance tax.

The following chart provides a synopsis of the current estate tax laws by state.

State Estate/Inheritance Taxes
Original Source: Federation of Tax Administrators
Revised by Connecticut Department of Revenue Services, December 2007

State	Tax Specifics	Exemption Amount
Connecticut	The estate tax is based on the amount of the Connecticut taxable estate, which is the sum of:(a) The amount of the decedent's gross estate, less allowable deductions (other than the deduction for state death taxes paid under I.R.C. §2058), as determined for federal estate tax purposes, and (b) The aggregate amount of Connecticut taxable gifts made on or after January 1, 2005. Tax rates range from 5.085% on Connecticut taxable estates that exceed $2 million up to a top rate of 16% on Connecticut taxable estates in excess of $10,100,000.	Estates $2,000,000 and less not subject to tax. Estates over $2,000,000 taxed on full value of estate, including first $2,000,000.

State	Tax Specifics	Exemption Amount
Washington, DC	State estate tax equal to maximum state death tax credit computed by Federal law as it existed on January 1, 2001, without regard to the EGTRRA phase-out.	Exemption equal to that allowed for Federal estate tax as of January 1, 2001 - $675,000; Exemption of $1,000,000 allowed for decedents who died January 1, 2003 and after.
Illinois	Taxable estate equal to federal taxable estate as defined by current federal law. State estate tax equal to maximum state death tax credit computed by Federal law as it existed on January 1, 2001, without regard to the EGTRRA phase-out.	Exemption equal to that allowed for federal estate tax under current law until federal exemption exceeds $2,000,000. At that point, state exemption capped at $2,000,000.
Indiana	Inheritance tax. Beneficiaries divided into four categories: surviving spouse and charities, Class A (lineal relations), Class B (horizontal relations), and Class C (all other beneficiaries). Tax rates on the fair market value of transferred property are progressive with property value and class letter.	Surviving spouse and charities - 100% exempt, Class A - $100,000, Class B - $500, Class C - $100
Iowa	Inheritance tax. No tax on estates valued at less than $25,000. Beneficiaries divided into five main categories: Schedule A (surviving spouse, lineal relations), Schedule B (immediate horizontal relations), Schedule C (all other individual beneficiaries), Schedule D (for-profit organizations), and Schedule E (charitable, educational and religious organizations). Tax rates on the fair market value of transferred property are progressive with property value and schedule letter.	Schedule A - 100% exempt, Schedule B,C,D - no exemption, Schedule E - $500

State	Tax Specifics	Exemption Amount
Kansas	State estate tax equal to maximum state death tax credit computed under federal law as it existed on December 31, 1997, without regard to the EGTRRA phase-out. **[Tax will be repealed 1/1/2010.]**	Exemption equal to federal exemption amounts set by 1997 federal law. Deaths in 2005 - $950,000, Deaths in 2006 or after - $1,000,000.
Kentucky	Inheritance tax. Beneficiaries divided into three categories: Class A (surviving spouse, lineal relations, immediate horizontal relations), Class B (most other relations), Class C (all other beneficiaries). Tax rates on the fair market value of transferred property are progressive with property value and class letter.	Class A - 100% exempt, Class B - $1,000, Class C - $500
Louisiana	Inheritance tax. An inheritance tax return must be filed by or on behalf of the heirs and legatees in every case where inheritance tax is due or where the gross value of the deceased's estate amounts to $15,000 or more. For estates of persons dying after June 30, 2004, the tax does not apply when a judgment of possession is rendered or when the succession is judicially opened no later than the last day of the ninth month following the death of the decedent. Beneficiaries divided into four categories: category 1 (direct lineal relations and surviving spouse), category 2 (collateral relations), category 3 (strangers or non-related persons), and category 4 (charitable, educational and religious organizations). Tax rates on the fair market value of transferred taxable property are progressive with property value and category number.	Surviving Spouse - 100% exempt, rest of category 1 - $25,000, category 2 - $1,000, category 3 - $500, category 4 - 100% exempt when the institution is located within Louisiana. If the beneficiary is located in another state or U.S. territory, bequests are exempt from the tax only to the extent that the laws of the state or territory where the institution is located contain reciprocal provisions that allow similar exemptions with respect to donations and legacies.

State	Tax Specifics	Exemption Amount
Maine	State estate tax equal to maximum state death tax credit computed by federal law as it existed on December 31, 2002, without regard to the EGTRRA phase-out. Unified credit is determined using the Code as of December 31, 2000.	Exemption equal to federal exemption set by 2000 Federal law. Deaths in 2005 - $950,000, Deaths in 2006 or after - $1,000,000
Maryland	Inheritance and estate tax. Inheritance tax rate of 10% applied to clear value of property passing from decedent to beneficiaries. Estate tax equal to maximum state death tax credit computed under federal law as it existed on January 1, 2001, minus inheritance tax.	Inheritance tax: Property passed to spouse, lineal relations and siblings exempt from taxation. Estate tax: $1,000,000
Massachusetts	State estate tax equal to maximum state death tax credit computed under federal law as it existed on December 31, 2000, without regard to the EGTRRA phase-out.	Exemption equal to federal exemption set by 2000 Federal law. Deaths in 2005 - $950,000, Deaths in 2006 or after - $1,000,000
Minnesota	State estate tax equal to maximum state death tax credit computed under federal law as it existed on December 31, 2000, without regard to the EGTRRA phase-out.	Exemption equal to federal exemption set by 2000 Federal law. Deaths in 2005 - $950,000, Deaths in 2006 or after - $1,000,000
Nebraska	**Repealed for deaths on or after 1/1/07.** Prior to this, state estate tax and local inheritance tax. State estate tax rates and exemption amount independent of Federal estate tax law. Tax rates range from 5.6% of taxable estate amount under $100,000 to 16.8% of taxable estate amount over $9,000,000. County inheritance tax still in effect.	

State	Tax Specifics	Exemption Amount
New Jersey	Inheritance and estate tax: Under the inheritance tax, beneficiaries divided into four categories: Class A (surviving spouse or domestic partner, father, mother, grandparent, child, adopted child, issue of child or adopted child, stepchild, mutually acknowledged child), Class C (brother, sister, daughter-in-law, son-in-law), Class D (transferee, distributee or beneficiary not otherwise classified), and Class E (charitable, educational and religious organizations). Tax rates on the fair market value of transferred property are progressive with property value and classification. Estate tax: State estate tax equal to maximum state death tax credit computed under federal law as it existed on December 31, 2001, without regard to the EGTRRA phase-out, reduced by the inheritance tax paid.	Inheritance Tax. Class A – 100% exempt, Class C - $25,000 exemption, Class D – fully taxable if transferee receives $500 or more, Class E – 100% exempt. Estate Tax. Exemption equal to exemption for federal estate tax as it existed on December 31, 2001 - $675,000.
New York	State estate tax equal to maximum state death tax credit computed under federal law as it existed on July 22, 1998, without regard to the EGTRRA phase-out.	Exemption equal to federal exemption amounts set by 1998 Federal law - $1,000,000
North Carolina	State estate tax equal to maximum state estate tax credit computed by Federal law as it existed on December 31, 2001, without regard to the EGTRRA phase-out.	Exemption equal to exemption for federal estate tax as it existed on December 31, 2001 - $675,000.
Ohio	State estate tax rates and exemption independent of federal estate tax law. Tax rates are 6% for taxable estate amount under $500,000 and 7% for taxable estate amount over $500,000.	Exemption equals $338,333

State	Tax Specifics	Exemption Amount
Oklahoma	State estate tax rates and exemptions independent of Federal estate tax law. Beneficiaries divided into two categories: lineal heirs and collateral heirs. Separate tax rates for each category. Tax rates progressive with estate value. Lineal heirs: 0.5% to 10% of taxable estate. Collateral heirs: 1% to 15% of taxable estate. **[Tax will be repealed 1/1/2010.]**	Lineal heirs: deaths in 2005 - $950,000, deaths in 2006 or after - $1,000,000. Collateral heirs: no exemption.
Oregon	State estate tax equal to maximum state estate tax credit computed by Federal law as it existed on December 31, 2000, without regard to the EGTRRA phase-out.	Deaths in 2005 - $950,000, Deaths in 2006 or after - $1,000,000
Pennsylvania	Inheritance tax. Beneficiaries divided into four categories: category 1 (spouse and parents of under 21 decedent), category 2 (lineal descendent), category 3 (sibling), category 4 (all other beneficiaries). Tax rates: category 1 - 0%, category 2 - 4.5%, category 3 - 12%, category 4 - 15%.	category 1 - 100% exempt
Rhode Island	State estate tax equal to maximum state death tax credit computed by federal law as it existed on January 1, 2001, without regard to the EGTRRA phase-out.	Exemption equal to that allowed for Federal estate tax as of January 1, 2001 - $675,000.
Tennessee	Inheritance tax imposed on net taxable estate of decedent. Tax rates range from 5.5% of taxable estate amount under $40,000 to 9.5% of taxable estate amount over $440,000.	Deaths in 2005 - $950,000, Deaths in 2006 or after - $1,000,000
Vermont	State estate tax equal to maximum state death tax credit computed by federal law as it existed on January 1, 2001, without regard to the EGTRRA phase-out.	Exemption equal to that allowed for Federal estate tax as of January 1, 2001 - $675,000.

State	Tax Specifics	Exemption Amount
Virginia	**Tax repealed July 1, 2007.** Prior to this, State estate tax equal to maximum state death tax credit computed by federal law as it existed on January 1, 1978, without regard to the EGTRRA phase-out.	Prior to July 1, 2007, exemption equal to exemption for federal estate tax as it exists in current federal law, Deaths in 2005 - $1,500,000, Deaths in 2006 or after - $2,000,000.
Washington	State estate tax equal to maximum state death tax credit computed by federal law as it existed on January 1, 2001, without regard to the EGTRRA phase-out.	Exemption equal to that allowed for Federal estate tax as of January 1, 2001 - $675,000.
Wisconsin	Taxable estate equal to federal taxable estate as defined by current federal law. (Wisconsin taxable estate may be adjusted by Wisconsin only exemptions.) State estate tax equal to maximum state death tax credit computed by federal law as it existed on December 31, 2000, without regard to the EGTRRA phase-out. **Tax will be repealed 1/1/2008.**	Exemption equal to that allowed for Federal estate tax as of December 31, 2000 - $675,000.

Connecticut Estate Tax

Public Act 05-251, created a unified gift and estate tax, replacing a separate gift tax and a separate estate tax that had been based on the federal credit and repealing the succession tax. The unified Connecticut gift tax is not payable (if at all) until the aggregate amount of Connecticut taxable gifts made during taxable years beginning on or after January 1, 2005 exceeds two million dollars. The unified Connecticut estate tax is not due unless the amount of an estate's Connecticut taxable estate exceeds two million dollars. The amount of an estate's Connecticut taxable estate is computed by adding (1) the aggregate amount of Connecticut taxable gifts made by the decedent (during his or her lifetime) during taxable years beginning on or after January 1, 2005 and (2) the amount of the estate's federal gross estate less allowable deductions (other than the deduction for state death taxes paid under Section 2058 of the Internal Revenue Code), as determined for federal estate tax purposes.

The Connecticut Estate Tax is imposed on resident and nonresident estates. A resident estate is an estate of a decedent who at the time of death was domiciled in Connecticut. A nonresident estate is an estate of a decedent who was not domiciled in Connecticut at the time of death, but owned real or tangible personal property in Connecticut.

The Connecticut Estate Tax is due and payable nine months following the date of death. An extension to file and an extension to pay may both be requested.

Property of a decedent's estate that is treated, for federal estate tax purposes, as qualified terminable interest property (QTIP) will automatically be treated as QTIP for Connecticut estate tax purposes. (For property to be treated as QTIP, an election must be made by the estate under Section 2056(b)(7) of the Internal Revenue Code.) If an estate did not file a federal estate tax return, or if it filed a federal estate tax return and did not make a QTIP election for federal estate tax purposes, it is eligible to make a Connecticut QTIP election for Connecticut estate tax purposes.

It is important to reiterate that no tax is due on estates whose Connecticut taxable estate is $2 million or less. However, where the Connecticut taxable estate exceeds the $2 million threshold, the basis for the tax is the total value of the Connecticut taxable estate, including the first $2 million. This is known as the "cliff" effect. You will see references to the cliff in our survey responses.

The following chart shows taxable rates by value of taxable estate.

Connecticut Unified Gift and Estate Tax

Value of Connecticut Taxable Estate	**Connecticut Tax Rate**
Not over $2,000,000	None
Over $2,000,000 to $2,100,000	5.085% of the excess over $0
Over $2,100,000 to $2,600,000	$106,800 plus 8.0% of the excess over $2,100,000
Over $2,600,000 to $3,100,000	$146,800 plus 8.8% of the excess over $2,600,000
Over $3,100,000 to $3,600,000	$190,800 plus 9.6% of the excess over $3,100,000
Over $3,600,000 to $4,100,000	$238,800 plus 10.4% of the excess over $3,600,000
Over $4,100,000 to $5,100,000	$290,800 plus 11.2% of the excess over $4,100,000
Over $5,100,000 to $6,100,000	$402,800 plus 12.0% of the excess over $5,100,000
Over $6,100,000 to $7,100,000	$522,800 plus 12.8% of the excess over $6,100,000
Over $7,100,000 to $8,100,000	$650,800 plus 13.6% of the excess over $7,100,000
Over $8,100,000 to $9,100,000	$786,800 plus 14.4% of the excess over $8,100,000
Over $9,100,000 to $10,000,000	$930,800 plus 15.2% of the excess over $9,100,000
Over $10,100,000	$1,082,800 plus 16.0% of the excess over $10,100,000

Distribution of Connecticut Estates

Final estate tax returns filed in Connecticut for fiscal years 2005-06 and 2006-07 paid $103.5 million and $167.0 million respectively under the new unified gift and estate tax which became effective for estates of decedents dying on or after January 1, 2005. Please note that because the unified gift and estate tax is due nine months after death, fiscal year 2005-06 represents only nine months of collections. The chart on the following page provides information on those returns by size of the net taxable estate.

Distribution of Connecticut Estate Tax
By Size of Net Taxable Estate

Fiscal Year 2005-06

Net Taxable Estate	Number	Taxes Paid	% of Taxable Returns	Taxable Returns as a % of Deaths (1)	% of Taxes Paid
Over $2M to $3M	75	$ 8,929,636	44.91%	0.30%	8.63%
Over $3M to $4M	35	6,987,480	20.96%	0.14%	6.75%
Over $4M to $5M	15	4,416,597	8.98%	0.06%	4.27%
Over $5M to $6M	11	3,962,723	6.59%	0.04%	3.83%
Over $6M to $8M	10	6,407,256	5.99%	0.04%	6.19%
Over $8M to $10M	6	5,577,773	3.59%	0.02%	5.39%
Over $10M to $15M	4	4,178,628	2.40%	0.02%	4.04%
Over $15M to $25M	5	11,311,820	2.99%	0.02%	10.93%
Over $25M	6	51,755,043	3.59%	0.02%	49.99%
Total	167	$103,526,956	100.00%	0.68%	100.00%

Fiscal Year 2006-07

Net Taxable Estate	Number	Taxes Paid	% of Taxable Returns	Taxable Returns as a % of Deaths (1)	% of Taxes Paid
Over $2M to $3M	90	$ 11,184,554	32.49%	0.36%	6.70%
Over $3M to $4M	67	13,573,766	24.19%	0.27%	8.13%
Over $4M to $5M	32	9,250,645	11.55%	0.13%	5.54%
Over $5M to $6M	25	9,559,573	9.03%	0.10%	5.73%
Over $6M to $7M	17	9,774,925	6.14%	0.07%	5.85%
Over $7M to $8M	6	3,704,310	2.17%	0.02%	2.22%
Over $8M to $10M	7	4,845,645	2.53%	0.03%	2.90%
Over $10M to $15M	19	24,764,367	6.86%	0.08%	14.83%
Over $15M to $25M	4	4,969,836	1.44%	0.02%	2.98%
Over $25M	10	75,344,806	3.61%	0.04%	45.12%
Total	277	$166,972,426	100.00%	1.12%	100.00%

(1) The average number of Deaths in Connecticut for the period 2000-2004 was 24,702.

As can be seen from the table, the largest net taxable estate size categories contributed a much larger percentage of taxes paid than the percentage of taxable returns they represented. Net taxable estates over $10 million accounted for 8.98% of the returns filed but 64.96% of the taxes paid in fiscal 2005-06 and only 0.06% of the deaths in Connecticut, while in fiscal year 2006-07 those figures were 11.91%, 62.93% and 0.14%, respectively. The smaller estates (those under $10 million) accounted for 91.02% of the returns filed but only 35.04% of the taxes paid in fiscal year 2005-06 and 0.60% of the deaths in Connecticut, while for fiscal year 2006-07 the figures were 88.09%, 37.07% and 0.98%, respectively.

The average tax rate for all taxable estate returns filed in fiscal year 2005-06 was 7.77% while in fiscal year 2006-07 it was 6.88%. The following chart shows the average gross estate, average net estate tax and the average tax rate by size of net taxable estate for fiscal years 2005-06 and 2006-07.

Connecticut Average Estate Taxes and Rates
By Size of Net Taxable Estate

Fiscal Year 2005-06

Net Taxable Estate	Aggregate Gross Estate (1)	Average Gross Estate	Avg. Net Estate Tax	Avg. Tax Rate on Gross Estate
Over $2M to $3M	$ 229,917,383	$ 3,065,565	$ 119,062	3.88%
Over $3M to $4M	137,526,873	3,929,339	199,642	5.08%
Over $4M to $5M	92,956,387	6,197,092	294,440	4.75%
Over $5M to $6M	73,392,009	6,672,001	360,248	5.40%
Over $6M to $8M	89,823,744	8,982,374	640,726	7.13%
Over $8M to $10M	56,933,386	9,488,898	929,629	9.80%
Over $10M to $15M	53,652,473	13,413,118	1,044,657	7.79%
Over $15M to $25M	108,224,918	21,644,984	2,262,364	10.45%
Over $25M	490,458,876	81,743,146	8,625,840	10.55%
Total	$1,332,886,049	$ 7,981,354	$ 619,922	7.77%

Fiscal Year 2006-07

Net Taxable Estate	Aggregate Gross Estate (1)	Average Gross Estate	Avg. Net Estate Tax	Avg. Tax Rate on Gross Estate
Over $2M to $3M	$ 285,451,142	$ 3,171,679	$ 124,273	3.92%
Over $3M to $4M	267,231,854	3,988,535	202,594	5.08%
Over $4M to $5M	164,258,854	5,133,089	289,083	5.63%
Over $5M to $6M	206,241,353	8,249,654	382,383	4.64%
Over $6M to $7M	135,583,703	7,975,512	574,996	7.21%
Over $7M to $8M	47,936,727	7,989,455	617,385	7.73%
Over $8M to $10M	101,188,971	14,455,567	692,235	4.79%
Over $10M to $15M	252,940,923	13,312,680	1,303,388	9.79%
Over $15M to $25M	329,070,035	82,267,509	1,242,459	1.51%
Over $25M	638,509,269	63,850,927	7,534,481	11.80%
Total	$2,428,412,831	$ 8,766,833	$ 602,789	6.88%

(1) Includes Connecticut Taxable Gifts

Migration

Migration is usually defined to mean the movement of people across political boundaries (state or county lines) for the purpose of establishing a new place of residence. Migration was historically studied within the context of job searches and upward mobility. But, just as the nation underwent significant changes in technology, mobility and wealth in the last half of the 20th century, migration is being driven by a combination of economic and non-economic reasons dependent on profession and age. With the advent of convenient air travel, the fax machine, personal computers, the internet and improved telecommunications, large groups of workers are less physically tied to their employment. Additionally, large numbers of working people no longer abandon their primary residences, but buy a second home and conduct business from both places which may blur the impact of traditional migration data.

Migration Into and Out of Connecticut

Information provided by the U.S. Internal Revenue Service, on the difference in return addresses on federal income tax forms in two successive years, is presented below. This information shows the migration into and out of Connecticut for four calendar years, 2002 to 2006.

Migration Into and Out of Connecticut

		From/To 2002-03	From/To 2003-04	From/To 2004-05	From/To 2005-06	Total 2002-06
Households	In	39,449	37,264	38,125	38,256	153,094
	Out	41,126	44,152	44,772	45,650	175,700
	Net	**(1,677)**	**(6,888)**	**(6,647)**	**(7,394)**	**(22,606)**
Residents	In	70,423	66,966	68,651	68,038	274,078
	Out	71,316	77,766	79,753	80,861	309,696
	Net	**(893)**	**(10,800)**	**(11,102)**	**(12,823)**	**(35,618)**
Aggregate	In	2,566,727	2,506,512	2,698,556	2,657,640	10,429,435
Fed. AGI	Out	2,559,250	2,911,792	3,010,459	3,177,390	11,658,891
($ Thous)	**Net**	**7,477**	**(405,280)**	**(311,903)**	**(519,750)**	**(1,229,456)**
Fed. AGI	In	65,064	67,264	70,782	69,470	68,124
Per HH	Out	62,229	65,949	67,240	69,603	66,357
($)	**Net**	**2,835**	**1,314**	**3,542**	**(133)**	**1,768**
Fed. AGI	In	36,447	37,430	39,308	39,061	38,053
Per Capita	Out	35,886	37,443	37,747	39,294	37,646
($)	**Net**	**561**	**(13)**	**1,561**	**(233)**	**407**

The State has experienced a net loss of households, residents and aggregate federal income over the period, primarily at an increasing rate. Despite a net loss in aggregate federal income over the period, on both a per-household basis and a per-capita basis, those moving in have generally higher incomes than those leaving.

Over the four-year period, migrants took $1.229 billion net out of the state. However, because those entering had higher incomes than those leaving, the state average income per-household actually increased $9,490 (13.9%) over the period, with $ 1,768 (18.6%) of the increase due to migration.

Where did they go?

The single largest net gain from Connecticut out migration was the state of Florida, which levies neither an income tax nor an estate tax. From 2002 to 2006, 11,603 households moved into Connecticut from Florida and 27,773 households moved from Connecticut to Florida, for a net out migration of 16,170 households. The average household income of those moving from Florida was $45,830 while for those moving from Connecticut to Florida was $70,067, representing a net loss of 34.6% per household.

The second largest net gain from Connecticut out migration was the state of North Carolina, which levies both an income tax and an estate tax. From 2002 to 2006, 3,352 households moved into Connecticut from North Carolina and 6,790 households moved from Connecticut to North Carolina for a net out migration of 3,538 households. The average household income of those moving from North Carolina was $50,482 while for those moving from Connecticut to North Carolina was $62,639, representing a net loss of 19.4% per household.

The third largest net gain from Connecticut out migration was the state of California which levies an income tax but not an estate tax. From 2002 to 2006, 7,395 households moved into Connecticut from California and 9,459 households moved from Connecticut to California for a net out migration of 2,064 households. The average household income of those moving from California was $80,496 while for those moving from Connecticut to California was $71,418, representing a net gain of 12.7% per household.

The following chart shows a summary of net migration from Connecticut to the three most popular states over the 2002 to 2006 calendar years.

Household Migration From Connecticut
Calendar Year 2002-06

Where Did They Go?

State	In	Out	Net
Florida	11,603	27,773	(16,170)
North Carolina	3,252	6,790	(3,538)
California	7,395	9,459	(2,064)

Where did they come from?

The single largest net gain to Connecticut in migration was from the state of New York, which levies both an income tax and an estate tax. From 2002 to 2006, 39,666 households moved into Connecticut from New York and 27,078 households moved from Connecticut to New York, for a net in migration of 12,588 households. The average household income of those moving from New York was $92,182 while for those moving from Connecticut to New York was $68,355, representing a net gain of 34.9% per household.

The second largest net gain to Connecticut in migration was from the state of New Jersey, which also levies both an income tax and an estate tax. From 2002 to 2006, 7,893 households moved into Connecticut from New Jersey and 6,630 households moved from Connecticut to New Jersey, for a net in migration of 1,263 households. The average household income of those moving from New Jersey was $87,849 while for those moving from Connecticut to New Jersey was $78,913, representing a net gain of 11.3% per household.

The following chart shows a summary of net migration to Connecticut from the two most impacted states over the 2002 to 2006 calendar years.

Household Migration To Connecticut
Calendar Year 2002-06

Where Did They Come From?

State	In	Out	Net
New York	39,666	27,078	12,588
New Jersey	7,893	6,630	1,263

The tables on pages 21 and 22 in the Appendix, show detailed migration of Connecticut households into and out of the most significant states.

What factors influence traditional migration?

Since this report is in response to the directive on the Connecticut estate tax, the Department concentrated on the information available on what factors influence retirees to move. According to a variety of sources, those factors include:

Quality of climate – many retirees migrate because of the weather. After spending years dealing with harsh winters, retirees move to a milder climate. Also, a milder climate allows retirees a greater ability to access the outdoors on a year round basis and participate in outdoor activities.

Cost of Living – included in the decision of retirees to migrate may be the energy costs, the costs of housing and taxes.

Services Available – many retirees consider what services are available in their decision to migrate. What is the proximity to well-regarded health care facilities? What is the record on safety, both personal and property? What cultural and entertainment facilities are easily accessible? And, what type of transportation is available to ease getting around?

Family/Friends – many retirees consider proximity to family and friends in their decision to migrate.

According to the available literature, a variety of factors can enter into a retiree's decision to migrate, making it difficult to ascertain what in particular provided the impetus for any move.

What factors influenced Connecticut residents/retirees to migrate?

In an attempt to focus on Connecticut migration, in September 2007, the Department of Revenue Services, in consultation with the Office of Policy and Management, developed a series of questions on the estate tax which we hoped would assist us in our study. We solicited the advice and help of practitioners in the legal, accounting and estate planning communities.

Survey Results

The state received 166 responses to the survey with over 80% of the responses coming from Fairfield, Hartford and New Haven counties. Of those responding, 52.6% said that their clients changed their Connecticut domicile to another state primarily due to the Connecticut estate tax. Additionally, 76.9%

of those responding said that their clients changed their Connecticut domicile partially due to the Connecticut estate tax.

The survey shows that the average gross estate of those individuals that changed their Connecticut domicile was $7.5 million, which would equate to a Connecticut estate tax of $705,200. Additionally, the average taxable income of those individuals that changed their Connecticut domicile was $446,000 which would equate to an annual Connecticut income tax of $21,900.

According to the survey, the top four states where individuals changed their Connecticut domicile to were Florida, Arizona, North Carolina and New Hampshire. Additionally, the top four reasons for why individuals changed their Connecticut domicile were Connecticut estate tax concerns, Connecticut income tax concerns, climate/recreational opportunities and individual was already spending a portion of the year out of state.

If the Connecticut estate tax is to remain, the survey clearly indicates that the cliff contained in the current law should be addressed. The Office of Policy and Management estimates that the cost to eliminate the cliff is $30.0 million.

A copy of the cover letter and survey questions can be found in the Appendix, along with the corresponding responses. A summary of the written comments is also provided.

What does the economic data show?

In order to see what impact, if any, the levying of an estate/inheritance tax has on economic growth, the following table was developed. Because most states had a sponge tax of some sort until 2005, the data uses 2004 as a base and compares growth through 2007. The states with estate taxes include: Connecticut, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Nebraska (state inheritance tax repealed 1/1/07, but still has a local inheritance tax), New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Virginia (repealed 6/30/07) , Washington and Wisconsin. All other states are included in the column of states with no estate taxes.

Growth in Employment, Personal Income, Gross State Product, and Population
Calendar Year 2004 to 2007

	Annual % Growth			
	States with Estate Taxes	**States with No Estate Taxes**	**United States**	**Connecticut**
Growth in Employment	1.07%	2.15%	1.60%	0.95%
Growth in Personal Income	5.05%	6.07%	5.73%	5.59%
Growth in Real GSP	2.24%	3.20%	2.66%	2.41%
Growth in Population	0.51%	1.30%	0.91%	0.09%

As of December 4, 2007
Source : Moody's Economy.com

The data indicates that growth in those states with an estate tax lagged behind those that did not and were also lower than the national average. Annual employment growth in those states with an estate tax was less than half the growth experienced by states that do not have an estate tax. Connecticut was below the annual average growth of those states without an estate tax by 1.20% and 0.65% lower than the national average.

Annual personal income growth for those states with an estate tax was also lagging behind the growth of those states with no estate tax by 1.02%. Connecticut experienced 0.48% lower growth than the annual average growth of those states without an estate tax and was also 0.14% below the national average.

In terms of real gross state product, again those states with an estate tax did not perform as well as those states without one by 0.96%. Connecticut again experienced 0.79% lower growth than the annual average growth of those states without an estate tax and was 0.25% below the national average.

It is important to note that many factors determine the economic growth of a state and this data should not be construed to imply that the estate tax was solely responsible for the lower rates experienced in those states with an estate tax.

What factors influence businesses economic decisions?

In May 2007, the Connecticut Business and Industry Association (CBIA) conducted a survey commissioned by the Hartford-Springfield Economic Partnership (HSEP). HSEP was launched by the Governors of Connecticut and Massachusetts to pursue high-profile initiatives involving business development, marketing, talent retention and research. HSEP is planning to use the results of the survey to help develop strategies to enhance prospects for business and economic growth in the area while marketing the area's rich history in innovation, invention and educational assets.

The survey found that challenges identified by the respondents included the high cost of doing business, the availability of qualified workers, taxes, energy costs, cost competition and health care costs. Additionally, a large percentage of respondents said traffic congestion is the most problematic issue facing their businesses. Slower traffic means delays in the delivery of goods and services and in the commuting time of employees.

The results of the survey should not be surprising as these are many times the factors that businesses consider when looking to relocate or expand their business.

What conclusion does the data suggest on the impact of levying an estate tax?

While policy makers must weigh a variety of factors in crafting tax policy, it appears that the data suggests that they cannot rule out that levying an estate tax may negatively impact the economic activity of their state and migration of their residents. This conclusion is based upon:

- The majority of states did indeed make a conscious decision to eliminate their estate tax and forego such revenue.
- The migration data which indicates that Connecticut is a net exporter of people.
- The Survey of practitioners which indicates that estate tax was a factor in the relocation decisions of a majority of their clients.
- The economic data which shows that those states with an estate tax underperformed those states without an estate tax.

Appendix

Migration of Connecticut Households

	2002-03			2003-04			2004-05			2005-06			2002-06		
	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net
Total US	36,976	39,494	(2,518)	34,937	42,458	(7,521)	35,809	43,182	(7,373)	35,794	44,212	(8,418)	143,516	169,346	(25,830)
Outside of US	2,473	1,632	841	2,327	1,694	633	2,316	1,590	726	2,462	1,438	1,024	9,578	6,354	3,224
Total Migration	39,449	41,126	(1,677)	37,264	44,152	(6,888)	38,125	44,772	(6,647)	38,256	45,650	(7,394)	153,094	175,700	(22,606)
Non-Migrants	1,302,971	1,302,971	0	1,298,471	1,298,471	0	1,294,962	1,294,962	0	1,289,941	1,289,941	0	0	0	0
Grand Total	1,342,420	1,344,097	(1,677)	1,335,735	1,342,623	(6,888)	1,333,087	1,339,734	(6,647)	1,328,197	1,335,591	(7,394)	153,094	175,700	(22,606)

Aggregate Federal AGI of Migrants and Non-Migrants (In Millions of Dollars)

	2002-03			2003-04			2004-05			2005-06			2002-06		
	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net
Total US	2,491.3	2,453.3	38.0	2,410.2	2,814.7	(404.6)	2,625.7	2,927.0	(301.4)	2,565.4	3,075.2	(509.8)	10,092.5	11,270.3	(1,177.8)
Outside of US	75.4	105.9	(30.5)	96.4	97.0	(0.7)	72.9	83.4	(10.5)	92.2	102.2	(9.9)	336.9	388.6	(51.6)
Total Migration	2,566.7	2,559.3	7.5	2,506.5	2,911.8	(405.3)	2,698.6	3,010.5	(311.9)	2,657.6	3,177.4	(519.8)	10,429.4	11,658.9	(1,229.5)
Non-Migrants	88,871.8	88,871.8	0.0	90,332.9	90,332.9	0.0	96,894.7	96,894.7	0.0	100,383.5	100,383.5	0.0	0.0	0.0	0.0
Grand Total	91,438.6	91,431.1	7.5	92,839.4	93,244.7	(405.3)	99,593.3	99,905.2	(311.9)	103,041.1	103,560.9	(519.8)	10,429.4	11,658.9	(1,229.5)

Per-Household Federal AGI of Migrants and Non-Migrants ($)

	2002-03			2003-04			2004-05			2005-06			2002-06		
	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net
Total US	67,376	62,119	5,257	68,986	66,295	2,691	73,324	67,784	5,541	71,671	69,556	2,115	70,323	66,552	3,771
Outside of US	30,505	64,912	(34,407)	41,409	57,287	(15,879)	31,471	52,466	(20,995)	37,465	71,044	(33,579)	35,176	61,153	(25,976)
Total Migration	65,064	62,229	2,835	67,264	65,949	1,314	70,782	67,240	3,542	69,470	69,603	(133)	68,124	66,357	1,768
Non-Migrants	68,207	68,207	0	69,569	69,569	0	74,824	74,824	0	77,820	77,820	0	0	0	0
Grand Total	68,115	68,024	91	69,504	69,450	55	74,709	74,571	138	77,580	77,539	40	68,069 *	77,559 *	9,490 *

* These amounts represent, respectively, the per-household incomes for all residents for the first and fourth years and change over the period due to migration and all other causes

Migration of Households Into and Out of Most Significant States

	2002-03			2003-04			2004-05			2005-06			2002-06		
	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net
New York	9,904	6,479	3,425	9,700	6,644	3,056	10,143	6,823	3,320	9,919	7,132	2,787	39,666	27,078	12,588
Florida	3,124	5,962	(2,838)	2,663	7,236	(4,573)	2,854	7,545	(4,691)	2,962	7,030	(4,068)	11,603	27,773	(16,170)
Massachusetts	4,533	4,492	41	4,483	4,618	(135)	4,570	4,512	58	4,435	4,703	(268)	18,021	18,325	(304)
California	2,013	2,232	(219)	1,840	2,361	(521)	1,789	2,346	(557)	1,753	2,520	(767)	7,395	9,459	(2,064)
North Carolina	919	1,343	(424)	786	1,573	(787)	769	1,838	(1,069)	778	2,036	(1,258)	3,252	6,790	(3,538)
New Jersey	2,028	1,648	380	1,905	1,643	262	1,892	1,699	193	2,068	1,640	428	7,893	6,630	1,263
Texas	1,073	1,076	(3)	941	1,135	(194)	829	1,103	(274)	822	1,337	(515)	3,665	4,651	(986)
Pennsylvania	1,342	1,512	(170)	1,222	1,514	(292)	1,331	1,506	(175)	1,319	1,633	(314)	5,214	6,165	(951)
SubTotal	24,936	24,744	192	23,540	26,724	(3,184)	24,177	27,372	(3,195)	24,056	28,031	(3,975)	96,709	106,871	(10,162)
Total Migration	39,449	41,126	(1,677)	37,264	44,152	(6,888)	38,125	44,772	(6,647)	38,256	45,650	(7,394)	153,094	175,700	(22,606)
SubTotal % of Total	63.2%	60.2%	3.0%	63.2%	60.5%	2.6%	63.4%	61.1%	2.3%	62.9%	61.4%	1.5%	63.2%	60.8%	2.3%

Aggregate Federal AGI of Migrants (In Millions of Dollars) Into and Out of Most Significant States

	2002-03			2003-04			2004-05			2005-06			2002-06		
	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net
New York	867.7	449.4	418.3	880.5	442.0	438.5	980.3	463.2	517.1	928.0	496.3	431.7	3,656.5	1,850.9	1,805.6
Florida	141.2	379.2	(238.0)	133.0	525.4	(392.4)	127.7	521.8	(394.1)	129.9	519.6	(389.8)	531.8	1,946.0	(1,414.2)
Massachusetts	242.2	276.5	(34.4)	237.8	231.2	6.7	259.5	274.4	(14.9)	247.1	272.3	(25.2)	986.6	1,054.4	(67.8)
California	166.6	134.8	31.8	136.3	189.1	(52.7)	155.4	187.0	(31.5)	136.9	164.7	(27.8)	595.3	675.5	(80.3)
North Carolina	47.6	80.6	(32.9)	40.1	94.3	(54.2)	38.1	116.4	(78.4)	38.3	134.0	(95.7)	164.2	425.3	(261.2)
New Jersey	166.2	118.8	47.4	159.4	127.4	32.0	185.6	134.0	51.6	182.1	142.9	39.2	693.4	523.2	170.2
Texas	82.9	72.5	10.5	81.3	99.3	(18.0)	56.4	78.0	(21.6)	61.0	130.9	(69.9)	281.6	380.7	(99.1)
Pennsylvania	85.3	95.3	(10.0)	83.0	92.8	(9.8)	87.0	101.1	(14.1)	104.9	115.9	(11.0)	360.2	405.1	(44.8)
SubTotal	1,799.8	1,607.1	192.7	1,751.4	1,801.3	(49.9)	1,890.1	1,876.0	14.1	1,828.2	1,976.7	(148.5)	7,269.5	7,261.1	8.4
Total Migration	2,566.7	2,559.3	7.5	2,506.5	2,911.8	(405.3)	2,698.6	3,010.5	(311.9)	2,657.6	3,177.4	(519.8)	10,429.4	11,658.9	(1,229.5)
SubTotal % of Total	70.1%	62.8%	7.3%	69.9%	61.9%	8.0%	70.0%	62.3%	7.7%	68.8%	62.2%	6.6%	69.7%	62.3%	7.4%

Per-Household Federal AGI of Migrants Into and Out of Most Significant States

	2002-03			2003-04			2004-05			2005-06			2002-06		
	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net
New York	87,612	69,364	18,248	90,770	66,521	24,249	96,651	67,894	28,757	93,555	69,587	23,968	92,182	68,355	23,827
Florida	45,199	63,599	(18,400)	49,940	72,605	(22,664)	44,746	69,161	(24,414)	43,844	73,915	(30,071)	45,830	70,067	(24,237)
Massachusetts	53,423	61,560	(8,138)	53,048	50,057	2,991	56,791	60,822	(4,031)	55,721	57,902	(2,181)	54,749	57,541	(2,791)
California	82,760	60,401	22,359	74,096	80,072	(5,976)	86,891	79,689	7,202	78,088	65,368	12,720	80,496	71,418	9,078
North Carolina	51,818	59,988	(8,170)	51,033	59,949	(8,915)	49,540	63,355	(13,816)	49,280	65,820	(16,540)	50,482	62,639	(12,157)
New Jersey	81,977	72,104	9,872	83,685	77,542	6,143	98,110	78,896	19,214	88,056	87,148	908	87,849	78,913	8,936
Texas	77,299	67,363	9,936	86,345	87,481	(1,136)	68,030	70,703	(2,672)	74,240	97,917	(23,677)	76,839	81,848	(5,009)
Pennsylvania	63,580	63,019	561	67,944	61,280	6,663	65,372	67,137	(1,766)	79,495	70,966	8,529	69,086	65,703	3,383
SubTotal	72,177	64,949	7,229	74,402	67,404	6,998	78,180	68,538	9,641	75,996	70,518	5,478	75,169	67,943	7,226
Total Migration	65,064	62,229	2,835	67,264	65,949	1,314	70,782	67,240	3,542	69,470	69,603	(133)	68,124	66,357	1,768
SubTotal % of Total	110.9%	104.4%	6.6%	110.6%	102.2%	8.4%	110.5%	101.9%	8.5%	109.4%	101.3%	8.1%	110.3%	102.4%	8.0%

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
PAM LAW, COMMISSIONER

September 28, 2007

TO: Members of the Estates and Probate Section of the Connecticut Bar Association
Members of the Connecticut Society of Certified Public Accountants

FROM: Pam Law, Commissioner
Department of Revenue Services

RE: Completion of Estate Tax Survey Questions

The Connecticut General Assembly, pursuant to §132 of 2007 Conn. Pub. Acts 1, June Special Session, has directed the Commissioner of Revenue Services, in consultation with the Secretary of the Office of Policy and Management, to conduct a study of the Estate Tax. The study's findings must be reported to the Governor and the Finance, Revenue and Bonding Committee no later than February 1, 2008.

In keeping with our directive to look at the impact of the estate tax on the state's economic competitiveness and the state's ability to retain residents, we have developed survey questions that we hope will help address these issues. The survey should be completed anonymously.

As practitioners who are providing estate planning advice, we would appreciate your taking the time to respond to our questions. Your expertise in this area will be very helpful and will provide valuable assistance to us.

We would ask that you complete the attached form and mail it to the **Department of Revenue Services, 25 Sigourney Street, Hartford, Connecticut 06106, Attn: M. Galliher, Research Unit.** If you prefer, you may fax your response to (860) 297-5727. **All responses will be kept confidential**.

We would appreciate all responses no later than **November 9th**.

Thank you for your help in this matter. We look forward to compiling your responses!

TWENTY-FIVE SIGOURNEY STREET HARTFORD, CONNECTICUT 06106-5032 www.ct.gov/DRS

2007 Estate Tax Survey Summary Report

1. Type of practice:

	Total	Percent
Accounting firm	87	52.4%
Other estate planning professional	13	7.8%
Law firm	68	41.0%
Total Responses:	**166**	

2. What county is the practice located in?

	Total	Percent
Hartford	54	32.7%
Fairfield	55	33.3%
New Haven	34	20.6%
Middlesex	7	4.2%
Litchfield	7	4.2%
New London	4	2.4%
Tolland	4	2.4%
Total Responses:	**165**	

3. How large is your estate planning client base?

	Total	Percent
251 or more	59	36.0%
101 - 250	21	12.8%
51 - 100	22	13.4%
0 - 50	62	37.8%
Total Responses:	**164**	

4. What percentage of your estate planning clients would be potentially subject to Connecticut's estate tax?

	Total	Percent
81 - 100%	32	19.6%
61 - 80%	33	20.2%
41 - 60%	29	17.8%
21 - 40%	28	17.2%
0 - 20%	41	25.2%
Total Responses:	**163**	

5. Which two age groups comprise the majority of your estate planning clients who are potentially subject to Connecticut's estate tax?

	Total	Percent
85 and over	15	9.3%
66 - 84	127	78.4%
56 - 65	107	66.0%
46 - 55	22	13.6%
35 - 45	3	1.9%
Total Responses:	**162**	

6. What percentage of your estate clients who would be subject to Connecticut's estate tax have changed domicile?

	Total	Percent
76 - 100%	6	3.6%
41 - 75%	27	16.4%
21 - 40%	25	15.2%
11 - 20%	35	21.2%
6 - 10%	27	16.4%
0 - 5%	45	27.3%
Total Responses:	**165**	

7. What was the average gross estate value of those clients who have changed their domicile?

	Total
Total Responses:	141
Average Value	$7,460,319

8. What was the average taxable income of those clients who have changed their domicile?

	Total
Total Responses:	124
Average Value	$445,645

9. Did those who changed domicile disclose it was primarily due to the Connecticut estate tax?

	Total	Percent
Yes	72	52.6%
No	65	47.4%
Total Responses:	**137**	

10. Did those who changed domicile disclose it was partially due to the Connecticut estate tax?

	Total	Percent
Yes	103	76.9%
No	31	23.1%
Total Responses:	**134**	

11. Where have your clients changed their domicile to? Check all that apply.

	Total	Percent
Florida	144	92.3%
Arizona	43	27.6%
North Carolina	34	21.8%
New Hampshire	32	20.5%
California	13	8.3%
Texas	7	4.5%
Nevada	6	3.8%
New York	6	3.8%
Pennsylvania	5	3.2%
South Carolina	4	2.6%
Massachusetts	4	2.6%
All Others	19	12.2%
Total Responses:	**156**	

12. Rank the following reasons (in priority order) for a client's change in domicile. The top choice is one, the second choice two, etc.

	1	2	3	4	5	6	7	8	9	10
Connecticut estate tax concerns	53	38	13	12	10	3	3	2	0	0
Connecticut income tax concerns	23	50	24	16	5	8	2	1	1	0
Climate/recreational opportunities	33	19	28	24	14	6	2	0	1	0
Family / friends	8	12	20	18	25	11	11	3	1	1
Reduce cost of living expenses	6	6	20	14	29	17	8	8	0	1
Client is already spending a portion of the year out of state	15	10	19	14	11	12	30	13	2	0
Medical / health reasons	0	3	4	9	7	34	26	15	2	2
Other states' Real Estate Homestead exemption	3	3	6	10	7	8	11	19	40	1
Job / career advancement opportunities	1	0	1	4	3	2	5	35	43	4
Other	0	0	1	0	1	0	0	0	5	81

Other than the reasons listed above, what reasons have you encountered for a client's change in domicile?

The majority is related to CT tax issues: income estate, and property tax reasons.

Clients are fed up with state mandates in a variety of areas. They also feel the public schools are not terribly safe or worth much. Private schools, while costly, are available in other places and quality of life can match Connecticut.

Too much tax in Connecticut.

Cost of professional fees for estate planning in Connecticut.

Negative posture and procedures applied by Connecticut government officials.

Real estate taxes and personal property taxes.

High property taxes, traffic congestion and long commutes.

Continuous tax liability in the state, with no obvious benefit.

Lower cost of living including taxes, health insurance, etc.

Lifestyle, frustration with Connecticut pace.

No income tax deduction for medical expenses.

Florida property tax on non-residents.

13. What provisions of the Connecticut estate tax (excluding the fact that there is a Connecticut estate tax) were perceived as most troublesome to those clients who chose to change domicile?

Of the 87 written comments, 64% overwhelmingly cited "the cliff". The next closet group of responses, at 14% cited the rate/rates. The remainder of the responses, totaling 22%, did not have much overlap. These responses included: cost and complexity of tax planning; large income tax now, estate tax later; Probate fee even if estate not taxable; inclusion of life insurance; gift tax; QTIP and difference between federal estate tax exemption and Connecticut exemption.

14. Any comments you would like to share?

Comments on the Cliff/Rate

At least use the exemption like the Feds do. Tax on only amounts above the exemption level ($2,000,000), don't go back.

Many are troubled by the cliff. Several changed domicile back from Florida when the succession tax was in phase-out. If they were younger and had not already sold their Florida homes, they might consider re-establishing Florida legal residences.

Treasury should increase estate exemption, NEVER eliminate it. States are another matter! If you insist you need an estate and gift tax; the cliff exemption is a problem for many.

Most who can afford to leave cite taxes as a primary reason. However, the tax by itself is not so much the problem as the inequities built into the tax. Solve those problems and implement a lower rate and the tax can stay.

I believe removing the cliff aspect would help keep these taxpayers in CT. Raising the estate tax exemption to mirror the federal would also help.

The estate tax should be changed to a gradual change in the rates.

The exemption must be increased for CT to retain good taxpayers and tax base. CT income tax is getting too high.

In addition to the estate tax being indexed to inflation, the income tax brackets and thresholds also should be indexed for inflation.

If Connecticut must have an estate tax, it should be tied to the Federal estate tax exemption.

Eliminate the cliff, fix the QTIP problem and reduce the income tax rates. Raise the tobacco and liquor rates.

The cliff has to go.

Not sure whether to set the exemption lower or higher, but the basic problem is the cliff.

The cliff at $2 million is particularly upsetting to our clients.

CT estate taxes should be on CT tangible personal property only. The taxpayers US gross estate should not be the basis of CT taxes. The cliff is unduly onerous.

The loss of income tax will far exceed any estate tax gained. This loss of revenue will be very costly to less advantaged citizens. I do not think people would leave the state if the rate were reasonable, like 5%.

Comments on Dual Domicile

Many of our clients have second homes in warmer climates. Following the "decoupling" change in Connecticut inheritance tax low, virtually all of them are spending over six months there.

The "rich" folks who are the target of the estate tax mostly own homes in Florida or other states with no estate tax and can easily make these states their principal residence. When they do so, CT loses the estate tax and their income tax.

Many retirees spend less than six months in CT, some months at a second residence and some months traveling. They have no reason to have a CT domicile.

Many clients with ties to other states with less onerous tax laws have considered changing their domiciles. Some of the clients have not yet done so, but haven't ruled it out. I have not yet attempted to quantify clients that have moved for non-tax reasons.

It is my experience that very wealthy people are establishing FL domiciles to avoid the CT estate tax on the second death. This is a big problem for our state.

Older retired persons spending months in Florida or some other state that doesn't impose an inheritance tax. I have had several clients make a decision on changing domiciliary directly as the result of CT estate tax.

Most clients establish second or vacation homes say in Florida, keep a home or condo here, and then change their legal domicile because of CT taxes.

I bet I lost $250M of estates when this tax went in. But Florida is tough to compete with – no estate or income tax – and the homestead exemption. I suspect many people now are double-domiciled.

Many of my clients have 3 residences. It is easy for them to be outside CT for more than 1/2 year in any state. They are very sensitive to estate gift and income tax in deciding which state will be their domicile.

Comments on Probate

A large factor in the decision to relocate is the CT Probate process. It is perceived as too invasive and too costly.

It is not so much that the CT Estate Tax is causing my clients (who generally have less than $2 million) to move to a death tax friendly state, but it is the bother of having to file the 706NT for an estate of say $50,000 or $100,000 or any amount less than $2 million that should be eliminated.

Many times the assets are all joint or in a RLT and there is no need to go to probate at all but a return still has to be filed under CT law, and one would do so it there is joint real estate and title needs to be cleared or record of any “inchoate Estate Tax Lien.”

If we are to have an estate tax it should track federal exactly. Provision should be made to establish a filing threshold as does the federal. Small estates should not be subject to a filing requirement.

Need to change probate fee based on 100% of taxable estate where client is a Florida domiciliary.

General Comments

I would hope the legislature would take a look at all of CT’s tax structure, not just estate.

We have heard some politicians speak to the issue; they allege there are no folks moving because of the estate tax. I can tell you that the estate tax was the last straw for some; they moved their business and their family. These are younger folks not ready for retirement.

These clients have family in Connecticut but the tax structure makes it financially wise to have a Florida residence.

Our state is losing valuable people.

Keep the wealth in CT, don’t cause these people to leave due to this inequitable tax on the wealthy.

The cost of compliance is high.

I also am considering moving to Florida. Why would any retired person worth more than $4,000,000 stay in Connecticut. I have to advise my clients to move.

Florida has No estate tax, No gift tax, No income tax, No personal property tax and No intangible tax. My clients are moving to Florida to save a lot of taxes both now and later.

Relocating just for CT estate issues is simply not a concern for my small tax client practice unless there was a more important life issue driving the decision.

Need to eliminate or at least significantly decrease the CT estate tax to stop the migration of the wealthy relocating to Florida.

Connecticut is driving out the wealthy residents while encouraging the influx of poverty-level people that use our generous social services. In a short time we will, as a state, have fewer intelligent individuals to fill jobs.

Generally, well-to-do people recognize that taxes are necessary for public services. Older people do not need as many services as young families do, namely, public education.

Connecticut should eliminate the estate and gift tax.

CT is losing many high bracket income tax payers because of the estate tax. The CT estate and gift tax should be eliminated.

Regardless of whether client will actually incur an estate or gift tax, the client – without coaching – cites the specter of taxation as something he/she desires to avoid.

The combined CT gift and estate tax. In 2007 alone we have seen clients with excess of 3B dollars leave the state. The loss of domicile and residence also eliminates CT income tax. Trust business is being lost to trust friendly states.

Connecticut will continue to lose wealthy persons over 65.

I see no creeping palm disease – not many people leaving the state due to estate tax in CT.

It is not our fault in CT that the Congress dropped the state death tax credit but it is our problem to deal with. So far, we're not dealing with it very well. At least the succession tax is gone!

You need to offset the income and sales tax benefits of keeping wealthy people in CT versus the big check years down the road. Not to mention employment and other social benefits.

I have many clients who are angry with the current law and are looking into changing their domicile to Florida.

There is very little current documentation of domicile change on account of Connecticut succession/estate tax.

My experience indicates that only the super wealthy change domiciles for tax reasons.

I have seen very little change of domicile in my practice, particularly due to the CT estate tax.

None have changed.

Separate state estate tax is unjust and unfair. It penalizes individuals who do not understand how it works and who fail to hire sophisticated attorneys to explain it to them.

Although it has not happened yet, I do feel that wealthy clients think about it as something to keep in mind. Most clients are still working so impact won't be seen for a few decades as other states race to the bottom re taxes.

Continuation of the CT estate tax and CT gift tax is foolish. The revenue lost as a result of clients changing domicile will far exceed the tax revenue collected.