

37. Estate Tax

- a. The enacted law increases the estate tax exclusion threshold from \$1 million to \$2.06 million for decedents dying on or after April 1, 2014, and before April 1, 2015.
- b. The exclusion threshold increases each succeeding year, up \$5.25 million over the next four years.
- c. Additionally, the law maintains the top tax rate at 16%, and indexes to inflation effective January 1, 2019.

Part X of Chapter 59 of the Laws of 2014 amends the estate tax to decouple the tax from federal law. The estate tax was commonly known as a “pick-up” tax because the tax equaled the federal credit for state estate taxes as it existed on July 22, 1998. The unified threshold of \$1 million is replaced with an applicable credit equal to the tax calculated on a “basic threshold” amount equal to \$2,062,500 for those dying in State Fiscal Year 2014-15; \$3,125,000 in SFY2015-16; \$4,187,500 in SFY2016-17; and \$5,250,000 from April 1, 2017 to December 31, 2018. The basic threshold will equal the federal basic threshold amount with annual indexing for those dying on or after January 1, 2019. The applicable credit is reduced for New York taxable estates exceeding the basic threshold amount and equals zero for those exceeding one hundred five percent of such amount. This is similar to the loss of the benefit of the \$1 million unified threshold under previous law.

Gifts taxable under Internal Revenue Code §2503 that were not otherwise included in the gross estate for Federal Estate Tax purposes and that were made during the three years ending on the date of death must be added to the New York gross estate. However, gifts made while the decedent was a nonresident of New York State and gifts made prior to April 1, 2014 or on or after January 1, 2019 are not included.

The Generation Skipping Tax has also been repealed as of April 1, 2014.