

Estate Planning in Vermont in 2014

Jack Davidson

I agree with Chris that basketball coaches can be insightful. That said, football coaches can be as well. A case in point, Pop Warner introduced to football trick plays and deception. Over the years, he drew up end runs, reverses, flea flickers and even elasticized bands sewn into jerseys to hide the ball so that his smaller players could compete against players that were 30 to 40 pounds heavier.



Some of us think that Pop Warner may have had an impact on our legislators. As the legislators addressed the Estate Tax law this year, many played for their teams: those that wanted an increase in the Estate Tax and those that wanted a decrease in the tax. At the end of the season, the common observation was a draw. Or was it? Did we check the jersey?

Act 174, signed on June 5, 2014, includes the following amendment: *“The laws of the United States relating to federal estate and gift taxes as in effect on December 31, 2012 2013, are hereby adopted for the purpose of computing the tax liability.”*

Was this just a technical correction? Was this a flea flicker?

Where’s the ball? It’s in the end zone. Our top Vermont estate tax rate just increased from 35% to 40%.

Now that we can see the football, our job is to enlighten our clients. For those of us that are blessed with estates over \$2,750,000, simply making gifts can save significant taxes. A single person with a \$3,000,000 estate can save \$100,000 in taxes by making gifts that reduce their estate to \$2,750,000, the Vermont threshold for taxation. That said, they may need a coach. The smaller players (estates under approximately \$3,342,000) may need Pop Warner’s style of play, absent the jersey. They need to keep the annual gifts equal to, or under, the federal annual exclusion of \$14,000 per recipient per year. Many receivers: children and grandchildren, and perhaps spouses, will speed up the process.

The larger estates (above approximately \$3,342,000) may save taxes with larger one-time gifts based on the intricate rules of play in Vermont.

Tax laws can be confusing and every client’s situation is different. Our Trust administrators are equipped and willing to discuss the general rules of play and strategies. That said, the key player at some point often needs to be in the room: your lawyer.

Pop, I loved your creativity with the exception of the jersey. In estate planning, you are not allowed to hide anything under a jersey.