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Making a Difference One Family at a Time

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March, 2, 2018

WRITTEN TESTIMONY OF ATTORNEY BARRY D. HOROWITZ BEFORE THE FINANCE, REVENUE AND BONDING COMMITTEE OF THE GENERAL ASSEMBLY IN RESPONSE TO THE ADOPTION OF SENATE BILL NUMBER 11, AN ACT CONCERNING CONNECTICUT'S RESPONSE TO FEDERAL TAX REFORM

Dear Honorable Committee Members:

My name is Barry Horowitz and I am an estate planning attorney with 32 years of experience. I am a member of the Connecticut Bar Association Estate Planning and Probate Section, the Elder Law Section, and the Ethics Committee. I am also a Fellow of the American Academy of Estate Planning Attorneys and a founding member of the law firm of Nirenstein, Horowitz and Associates, PC, a firm that exclusively does estate planning. I am before you today to comment on Senate Bill Number 11, An Act Concerning Connecticut's Response to Federal Tax Reform (hereinafter referred to as the "Act"). I will be commenting on the section of the Act that addresses Connecticut's estate and gift tax. While I support the section of the Act that delays, until 2023, full implementation of Connecticut matching the federal estate and gift tax exemption of 11 million dollars, the Act does not go far enough in curtailing what will be a needless and ineffective attempt to influence the decision of Connecticut's wealthy residents to leave the state once they retire or to stay.

I discuss this issue with wealthy Connecticut residents almost daily. Many of them complain, sometimes bitterly, about Connecticut's taxes. Almost all of them, who are considering leaving, are planning to move to Florida, but not because of Connecticut's estate and gift tax. When questioned, most of them admit they are really leaving because of the weather in Florida and to be near their friends who have already moved there. To the extent they are motivated to leave because of taxes, **it is the income tax, not the estate or gift tax, that is motivating them to leave.** Florida does not have an income tax and, obviously, Connecticut does. When I query our wealthy residents, I do not believe I have ever heard that the tax that concerns them and is motivating them to leave is Connecticut's estate and gift tax. These taxes have a 2.6 million dollar exemption now and tax rates are low, 7.2% to 12%. They know they can recoup these amounts with one good year in the stock market. However, from a revenue standpoint, our state is in a completely different situation.

The General Assembly's Office of Fiscal Analysis reports that increasing Connecticut's exemption from 2.6 million to 11 million will **cost** the state approximately 115 million in revenue every year. If our wealthy residents are going to leave anyway, and given how strapped our state is for funds, why the tax break?

We often look to Massachusetts as a successful state that Connecticut should emulate. Massachusetts's exemption from estate taxes is only 1 million dollars, a far cry from Connecticut's proposed 11 million exemption. Massachusetts seems to be doing quite well. To my knowledge, its legislature is not planning on raising the Massachusetts's exemption. **What this increase in our estate and gift tax exemption really does is give our wealthy residents, who are planning to stay in Connecticut anyway, a big tax break.** When so many of our less fortunate residents are losing programs and all of our residents are paying increased fees and other taxes that affect all of us, is such a tax break for only the wealthy warranted? Surely, we can make better use of 115 million dollars a year. I believe the legislature should be considering freezing the estate and gift tax exemption at its current 2.6 million dollar level. This level is already a 30% increase over last year's 2 million dollar exemption, and use the 115 million dollars in savings to tackle the budget deficit.

Very truly yours,

Barry D. Horowitz

Barry D. Horowitz, JD, LLM (tax)