

# Plan now for state estate taxes

Most people's estates aren't large enough to be affected by the federal estate tax, which in 2015 exempts \$5.43 million from the tax. However, residents of Rhode Island need to consider how state estate taxes may reduce their

estates. Rhode Island has its own estate tax, which imposes a tax on transfers/gifts of property at death. Fortunately, as of January 1, the tax will not apply unless your assets exceed \$1.5 million at your death. The 2015 exemption amount is significantly higher than the \$921,655

exemption that applied in 2014 and the current exemption will be adjusted each year for inflation. The higher exemption amount also means Rhode Island no longer joins New Jersey as one of the most expensive states in which to die.

Rhode Island tracks the federal rules on which assets are included in a person's taxable estate, some of which may surprise you. For example, if you own life insurance, the full amount of the death proceeds will be included in your Rhode Island taxable estate. The proceeds will not be subject to income tax, but they will be subject to estate tax upon the owner's death. Sometimes, a person thinks they will escape the Rhode Island tax but, in fact, the value of a life insurance policy, when added to a person's home equity, retirement accounts, annuities, investments, bank accounts and other assets, pushes the estate over the \$1.5 million threshold.



You may have read that after 2011, a person's available estate tax exemption can be transferred to a surviving spouse if the first spouse to die did not use all of his or her exemption. This idea of giving left over estate tax exemption to a surviving spouse is called "portability." When you consider your Rhode Island estate tax, you can forget about portability because it does not apply to Rhode Island estate tax. Consider this example. If a husband dies leaving his \$1 million estate to his children from a first marriage and the next day his wife dies of a broken heart, leaving a \$2 million estate, the wife receives no benefit from her husband's unused \$500,000 of Rhode Island estate tax exemption and she will pay R.I. estate tax on \$500,000. With a proper estate plan, no Rhode Island estate tax would have been due on either spouse's estate. Because portability does not apply to state estate tax, proper planning is essential to ensure each spouse employs their state tax exemption to the maximum extent possible.

You have several options for avoiding Rhode Island estate tax, including creating a trust or gifting assets, sometimes in a discounted fashion. Talk to an attorney to find out the best solution for you.

While the Rhode Island estate tax exemption is higher than ever, the number remains significantly below the federal exemption amount of \$5.43 million. Historically, the state and federal exemptions were connected, with the Rhode Island tax calculated from the federal tax. Now that the federal tax is unconnected or "decoupled" from the state tax, many estate plans drafted before 2002 (and maybe even a couple of years later) do not work as planned and a state estate tax will be due at the death of the first spouse. Optimally, all state and federal estate tax will be delayed until the death of the second spouse. Because the law is constantly changing, even if you have an estate plan, you should check with your attorney to ensure your plan does not need updating.

Estate planning is not a "once and done" activity. I tell my clients I do not need to meet with them every year, assuming no significant changes have occurred, but I highly recommend a meeting once every five years, in particular, to review the plan and determine that it continues to function as desired.

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them all. However, this year (every year?) I'm desperate for the daffodils' glare, and besides, there's nothing like standing in the middle of tens of thousands of them trumpeting in concert. And, when one pays attention, one notices crazy variety within the horn section. What I'd really like for my own garden are a few clusters with orange, pink, and green trumpets. The weirder the better. For starters, I'll be adding green-cupped Narcissus 'Sinopel', orange-cupped 'Barrett Browning', pink seductress 'Salome', and split-personality 'Rainbow of Colors' to my wish list.

You are my witness to this list and I'll be yours. Look around in the next few weeks and make note of what's missing. Sock away part of your garden budget for spring bulbs. And no matter how saturated you are by the season, or how "plantiful" your garden is come July when the catalogs start to arrive, don't even think of second guessing or shortening your wish list.

Kristin Green is the interpretive horticulturist at Blithewold Mansion, Gardens & Arboretum and author of "Plantiful: Start Small, Grow Big with 150 Plants that Spread, Self-Sow, and Overwinter" (Timber Press). Follow Blithewold's garden blog at [blog.blithewold.org](http://blog.blithewold.org).

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## Something Special for Mom!

East Bay Life is collecting Mother's Day messages for publication the week before May 10. Is there a certain mother in your life who means the world to you? Here's your chance to show her. You know she doesn't want you spending your money on her, and taking the time to say thanks is always a perfect fit. Submit your messages, notes, or poems to [life@eastbaynewspapers.com](mailto:life@eastbaynewspapers.com) along with your first (or full) name and hometown.

But this isn't the kind of gift you can run out and grab at the last minute! Deadline is Friday, May 1.

All she ever wanted was for you kids to get along — here's your chance to give her something extra!