



## WHAT ARE THE BENEFITS OF CPTS?

In community property states, when one spouse dies, the marital assets receive a full step-up in tax basis to date of death value. In non-community property jurisdictions, such as Florida, Connecticut and New York, there is a step-up in tax basis only on the deceased spouse's assets.

As of July 1, 2021, Florida became the fifth non-community property state to permit the creation of Community Property Trusts ("CPTs"). These CPTs allow married couples to benefit from some of the laws applicable in community property jurisdictions, most notably a full step-up in basis on all assets in the trust at the death of the first spouse to die. There are specific provisions which are required in order for these trusts to be valid, including the requirement of a "Qualified Trustee" who is a resident of Florida or a bank or trust company authorized to act as a Trustee in Florida. Both Florida residents and non-Florida residents may set up these trusts under Florida law.

These CPTs could benefit clients who have (i) highly appreciated property and concentrated positions of stock which could be diversified at death following a full step-up in basis with minimal capital gains tax consequences or (ii) rental or investment real estate that the surviving spouse does not want to continue to manage after the death of the first spouse and who are willing to allow the surviving spouse to control the disposition of half of those assets.