



WHAT ARE THE CAPITAL GAINS AND STATE TAX IMPLICATIONS OF GIFTING?

When making gifting decisions, remember to consider capital gains and state tax implications:

- Connecticut is the only state with a gift tax. As of 2024, the Connecticut gift tax exemption mirrors the federal gift tax exemption. The Connecticut gift tax does not apply to gifts by Connecticut residents of out-of-state real property or tangible personal property, but it does apply to gifts by non-Connecticut residents of real property and tangible personal property located in Connecticut.
- New York has no gift tax but has an estate tax with an exemption of only \$6,940,000. This means a New York resident who has not used any gift exemption in the past can gift up to \$13,610,000 during 2024 and pay no federal or New York gift tax, while the same gift at death would incur a \$1,644,400 New York estate tax. (Note, however, that gifts made within three years of death are brought back into a New York resident's estate for purposes of calculating New York estate taxes.)
- Florida has no separate state gift or estate tax.
- Gifting can result in a trade-off of capital gains tax savings for estate and gift tax savings because gifted assets retain the donor's tax basis for capital gains tax purposes in the hands of the recipient while assets inherited at the donor's death receive a "step-up" in tax basis to date of death value.