

Maine and Federal Estate Tax

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Most people embarking on serious estate planning have some idea of the recent changes to the federal estate tax laws that have raised the threshold at which estates are now taxed. As part of the 2001 changes to the federal estate tax system, the federal exemption amount was increased from \$675,000 to \$1 million, resulting in an overall reduction in the estate tax. This amount was slated to increase incrementally until it reached \$3.5 million in 2009 and in 2010 the estate tax was eliminated altogether. In 2011, Congress, however reenacted the estate tax for estates in excess of \$5 million to be adjusted annually for inflation.

One of the results of the increased exemption for federal estate tax was lower revenues for the State of Maine. This is because a portion of federal estate tax paid was allotted to the State. Consequently, in 2002 Maine enacted a new tax threshold, independent of the federal estate tax laws. Like the earlier changes to the federal estate tax, Maine raised its exemption incrementally until it went up to \$1 million in 2005. It stayed at \$1 million until January 1, 2013 at which point it increased to \$2 million. Thus, although an estate of under \$5 million may pass free of federal estate tax, only \$2 million will pass free of state estate tax.

This disparity between the federal and Maine estate tax means that Maine residents with estate in excess of \$2 million must still take tax planning into account when putting together their estate plans. Anyone in Maine with estates approximating or exceeding this amount would be well advised to have his or her estate plan reviewed to make sure that Maine estate tax has been properly taken into account in order to save their heirs from an unexpected estate tax liability.