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February 2010

Dear Valued Clients:

We wanted to take a moment to alert you to significant changes in the federal and Connecticut tax laws.

There have been major changes to the estate tax laws that could affect you. Many of our clients with estates that were potentially subject to the federal estate tax have language in their estate plan that refers to a credit against the federal estate tax. This credit has ranged between \$1 million in 2001 to \$3.5 million in 2009. If your estate was potentially subject to estate tax when we prepared your estate planning documents, you may have language that makes specific reference to this federal credit. Because there is now no federal estate tax for persons who die in 2010, that language may no longer be appropriate. However, Connecticut still has an estate tax which may affect your estate plan.

Another change relates to the income tax basis of inherited assets. Income tax basis is the value from which gain or loss on assets sold is measured. Under the law up until now, the income tax basis of an asset is changed to its current value when its owner dies, as a general rule. But after this change in the law, this automatic change in basis will not occur. Rather, the deceased owner's income tax basis in assets will "carry over" to the persons who inherit the assets. It may be appropriate for your documents to be revised in order to take into account the possibility of carry over basis.

Therefore, we think it is important for you to consider coming in and discussing these matters with us. If you would like to meet, please call Krystyna at extension 302 to arrange a meeting. We look forward to seeing you.

Sincerely yours,

Robert A. Scalise, Jr.
Ericson, Scalise & Mangan, P.C.

RSJ/kl

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