From: Ada Clapp <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: Governor Cuomo Accepts Report Recommending Conforming New York Estate Tax Threshold to Federal Threshold
Date: Wed, 11 Dec 2013 20:14:59 +0000

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FYI

From: Klein, Sharon [mailto:[redacted]]
Sent: Tuesday, December 10, 2013 5:25 PM
To: Klein, Sharon
Subject: Governor Cuomo Accepts Report Recommending Conforming New York Estate Tax Threshold to Federal Threshold

Hi,
As I recently emailed, the New York State Tax Reform and Fairness Commission Report recommended raising the estate tax threshold to $3 million, reinstituting the gift tax and closing the resident trust "loophole." The Fairness Commission Report was sent to the New York State Tax Relief Commission (co-Chaired by H. Carl McCall and Governor George Pataki) to review and provide recommendations for consideration in the Governor's 2014 State of the State message.

Governor Cuomo announced today that he has accepted the Final Report of the New York State Tax Relief Commission.

Recommendation to Link New York Estate Tax Exemption with Federal Exemption, with Top Estate Tax Rate of 10%
The Final Report recommends equalizing the state exemption threshold with the Federal level of $5.25 million, with indexing. It also recommends lowering the top estate tax rate from its current rate of 16% to 10%.

It's an Incentive to Stay in New York

According to the Final Report, the combination of an increase in the exemption to $5.25 million along with a reduction in the top tax rate would exempt nearly 90 percent of all estates from the imposition of the estate tax, protect family farms and small businesses and eliminate the incentive for middle-class and wealthy New Yorkers to leave the State to avoid the tax. The Report acknowledges that many middle class households are subject to New York's estate tax, while owing no federal estate tax. In addition, the Report states that there are concerns that the current low exemption level may serve as a factor in taxpayer migration from New York to other states (e.g., Florida) that do not impose an estate tax.

Gift Tax/Resident Trust Proposals Not Mentioned
The proposals in the Tax Reform and Fairness Commission Report regarding reinstituting the gift tax, closing the resident trust "loophole" and eliminating the GST tax (all described in further detail in my email below), are not mentioned in the Final Report.

A link to the Governor's press release is http://www.governor.ny.gov/press/12102013-tax-relief-commission-final-report. A link to the full Final Report is:
http://www.governor.ny.gov/assets/documents/commission_report.pdf.

Please feel free to call me if you wish to discuss this further.
Best regards,
Sharon

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From: Klein, Sharon
Sent: Tuesday, November 19, 2013 10:50 AM
To: Klein, Sharon
Subject: Proposal to reinstate New York's gift tax, increase the estate tax threshold and close the resident trust "loophole"

Hi,
I thought you would be interested to know that the New York State Tax Reform and Fairness Commission, a body established by Governor Cuomo in December 2012 to conduct a comprehensive and objective review of the State's tax structure, has just issued its final report. The Commission was charged with developing revenue neutral policy options to modernize the current tax system with the goals of increasing its simplicity, fairness, economic competitiveness and affordability.

Among the Commission's findings with respect to estate and gift tax are the following:

- New York's estate tax, currently based on federal law as it existed in 1998, is outdated.
- The current exemption threshold of $1 million has been criticized as too low given significant increases in the value of assets. In addition, there are concerns that it may serve as a factor in taxpayer migration from New York to other states (e.g. Florida) that do not impose any estate tax.
- Under the new federal scheme, gift giving has increased substantially, which will result in smaller estates and an erosion of the State's estate tax revenue.

The Commission makes the following recommendations:

Reform the Estate Tax and Raise the Estate Tax Exemption to $3 Million:
The Commission recommends raising the threshold from $1 million to $3 million, thereby eliminating almost three-quarters of all estates from estate tax. The exemption for estates valued in excess of $3 million would be phased out gradually to prevent any steep jumps in marginal tax rates.

Eliminate the Generation-Skipping Tax (GST):
New York's GST was enacted in 1999 but is not a major source of revenue. On average, fewer than 50 GST tax returns are filed and the tax generates less than $500,000 annually.

Reinstate the Gift Tax:
New York repealed its gift tax in 2000. According to the Commission, as New York no longer has a gift tax, the increase in gifting driven by the $5.25 million federal gift tax exemption will result in a reduction in the size of New York taxable estates, with a corresponding loss of estate tax revenue.

The Commission proposes two options to address the impact of the federal change on New York estate tax revenues:

- Under the preferred option, New York could reinstate a gift tax, which would subject gifts above a certain threshold to tax rates in line with the New York estate tax.
- Alternatively, New York could require estates to add back the value of any gifts above a certain threshold before determining the value of an estate.

Either option is stated to have the potential to generate revenue of approximately $150 million annually.

Close the Resident Trust Loophole:
Under current law, a New York resident trust is not subject to tax if all three of the following conditions are met:

- All trustees are domiciled outside the State;

- All real and tangible trust property is located outside the State; and
- All trust income and gain is derived from sources outside the State.

One option suggested by the Commission is to treat these trusts as grantor trusts for New York income tax purposes so the trust income would be included in the taxable income of the grantor. In addition, the Commission suggests that New York could adopt California's approach, which creates an addition modification equal to distributions to resident beneficiaries by trusts not subject to California tax.

Impact on Revenue:
These changes would be revenue neutral because an increase in the estate tax exemption is estimated to decrease revenues by $300 million and reinstating the gift tax and closing the resident trust loophole are each estimated to increase revenues by $150 million.

Next Steps:
The report will be shared with the New York State Tax Relief Commission, co-Chaired by H. Carl McCall, State University of New York Board of Trustees, Chairman and Governor George Pataki. The Tax Relief Commission is working to help identify ways to reduce the State's property and business taxes, and will provide recommendations for consideration in the Governor's 2014 State of the State message.

A link to the full report is:
http://www.governor.ny.gov/assets/documents/greenislandandreportandappendicies.pdf.

Please feel free to call me if you wish to discuss this further.
Best regards,
Sharon

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