Advanced Sales

Estate Tax: Beyond the Feds

Strategies to Reduce Estate Tax Exposure Without Changing Residency

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Presented By:

Patrick Olearcek, JD*, CLU, ChFC
Head of Advanced Markets
and Internal Sales

Michele Collins, JD*,
Director of Advanced Sales

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Audience poll

Have you worked on a case where a client actually moved to avoid a state estate tax?

A. Yes

B. Maybe

C. Probably not

D. Never

Agenda

1. Client profile and relocation reality
2. State estate tax landscape and domicile considerations
3. Technique deep dive: trusts, gifting, freezes, charity, ILITs
4. Case study, advisor checklist, and red flags

Effective planning can often reduce or manage state estate tax exposure without requiring a change of residence.

Typical client profile

Where state estate tax planning is most likely to matter

Resident in a state with a state estate tax

Long-term domicile, significant local property, or family/business concentration.

Estate exceeds state threshold

Often below federal estate tax exposure but above state filing or tax thresholds.

Assets are not all liquid

Business interests, real estate, concentrated positions, retirement assets, or insurance.

Reluctant to move

Family, healthcare, advisors, lifestyle, philanthropy, and community ties.

NOTE: The "state estate tax client" is often not an ultra-high-net-worth federal estate tax client; it may be the affluent family with appreciated real estate, retirement assets, and life insurance.

Why clients stay put

Family gravity
Children, grandchildren, caregiving responsibilities, and local support networks.

Business and property ties
Operating businesses, local real estate, rental property, or legacy assets.

Healthcare and advisors
Established physicians, care teams, attorneys, accountants, and financial professionals.

Identity and purpose
Community leadership, philanthropy, social ties, and quality-of-life preferences.

2026 landscape: federal vs. state exposure

A high federal exemption does not eliminate state-level planning

Federal transfer tax

$15M basic exclusion amount in 2026; annual exclusion $19,000 per donee.

Portability may be available for federal purposes if elected on a timely Form 706.

State estate tax

Some states impose separate estate or inheritance taxes with much lower thresholds.

State rules may be decoupled from federal law and may not recognize portability.

Planning implication

State estate tax may be the dominant transfer-tax issue for affluent-but-not-federal-taxable estates.

Planning should be state-specific and integrated with income tax and liquidity goals.

Domicile vs. Residence: Considerations

Changing an address is not enough — states weigh where the client's life actually happens.

Domicile — your one true home

The permanent home a person intends to return to. You have only one, and it follows you until a new one is clearly established.

Residence — where you happen to live

Any place lived in for a time. You can hold several at once, and a day-count alone can trigger "statutory resident" taxation.

What states weigh when a client claims to have moved

Home & time

Size and value of the new home versus the old, and days counted in each state.

Family & social ties

Where spouse, children, and close family live, plus clubs, worship, and community roles.

Business & finances

Employment, active businesses, bank and brokerage accounts, and professional advisors.

Formal records

Driver's license, voter and vehicle registration, mailing address, and estate documents.

Near & dear

Location of treasured possessions — heirlooms, art, pets, and family papers.

Intent vs. conduct

Stated intent must match actual behavior; inconsistencies invite audit and challenge.

Types of Death Taxes by State – 2026

State	Tax Type	Exemption Amount	Maximum Tax Rate
Connecticut[1]	Estate	$15,000,000	12%
District of Columbia	Estate	$4,988,400	16%
Hawaii[2]	Estate	$5,490,000	20%
Illinois	Estate	$4,000,000	16%
Kentucky[3]	Inheritance	Varies	16%
Maine	Estate	$7,160,000	12%
Maryland[4]	Estate Inheritance	$5,000,000 $1,000	16% 10%
Massachusetts	Estate	$2,000,000	16%
Minnesota	Estate	$3,000,000	16%
Nebraska[5]	Inheritance	$25,000 to $100,000	1% close family; 11% distant relatives; 15% others
New Jersey[6]	Inheritance	$25,000	16%
New York[7]	Estate	$7,350,000	16%
Oregon	Estate	$1,000,000	16%
Pennsylvania[8]	Inheritance	None	4.5% lineal descendants; 12% siblings; 15% others
Rhode Island	Estate	$1,838,056	16%
Vermont	Estate	$5,000,000	16%
Washington	Estate	$3,000,000	20%

Let’s look at an example: Massachusetts

Filing threshold	Gross estate plus adjusted taxable gifts exceeds $2M for deaths after 1/1/2023
Estate tax credit	$99,600 credit for estates of decedents dying on or after 1/1/2023
Decoupled system	Changes to federal estate tax law after 12/31/2000 have no impact on MA estate tax
Real estate lien	A Massachusetts estate tax lien can affect real property title when filing is required

Planning ideas

Option: Reduce Taxable Estate

Gifting: Annual exclusion
Modest per-donee gifts can become meaningful when repeated across beneficiaries and years.

Direct medical and tuition payments
Useful for clients who want impact without consuming annual exclusion or lifetime exemption.

Charitable transfers
Qualified charitable distributions, for example.

Spend, support, or reposition
Some clients reduce their taxable estate by living intentionally, funding family needs, or changing asset ownership.

TODAY'S VALUE OUT

Gifting Options

Annual exclusion	**$19,000 per donee in 2026**	Best for systematic family support and compounding impact.
Gift splitting	**Spouses can coordinate gifts**	Track reporting and Form 709 requirements when gift-splitting is elected.
Direct tuition / medical	**Pay provider or school directly**	Can reduce estate without using annual exclusion or basic exclusion capacity.
529 front-loading	**Consider education funding as part of family plan**	Coordinate with annual exclusion and beneficiary-specific planning.

To Give or Not to Give...the Basis Question

Estate tax savings can become capital gains exposure

Lifetime gift

Typically removes future appreciation from the donor's estate, but the recipient takes carryover basis for gain purposes.

Hold until death

May preserve a basis adjustment opportunity for appreciated assets, but retained value may increase estate tax exposure.

Option: Planning With Trusts

Objective
Preserve the first spouse's available state exemption and shelter future appreciation from the survivor's estate.

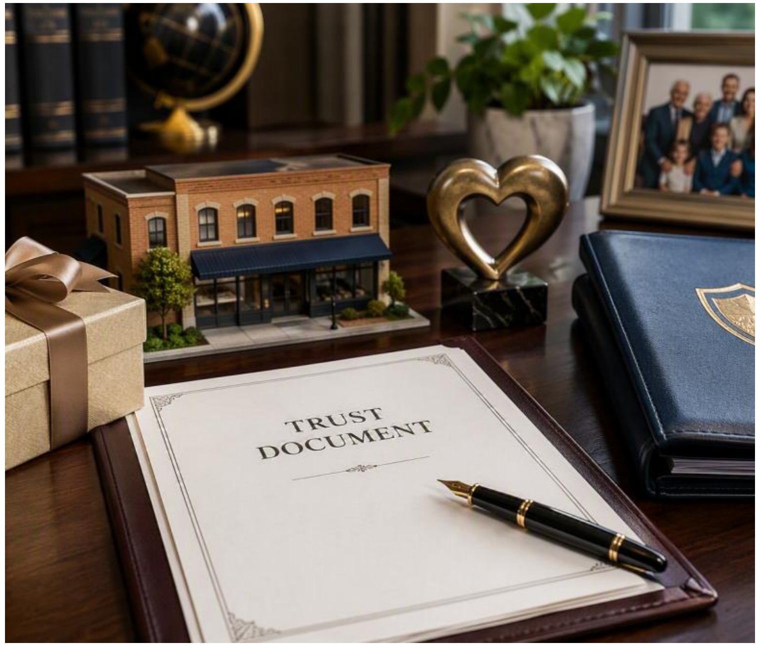
Techniques
Credit shelter trust, bypass trust, disclaimer trust, state-only QTIP/marital planning where available.

Design questions
Who may receive distributions? Who controls investments? How much flexibility is appropriate? What about basis strategy?

Drafting considerations
Coordinate formula funding clauses with state law, address portability

Use the first death as a planning opportunity — not just an administration event.

Spousal Lifetime Access Trust Planning: Gifts with indirect access



When it fits
Client wants to make a completed gift but is uncomfortable losing all access to transferred wealth.

What it can do
Remove gifted value and future appreciation from the grantor spouse's estate, subject to proper design.

Primary risks
Reciprocal trust doctrine, beneficiary spouse death, divorce, loss of access, GST allocation, state law, and grantor-trust administration.

Insurance connection
SLATs may also be paired with life insurance, depending on goals and insurability.

Option: Estate Freeze Techniques

GRATs

Potentially efficient when assets may outperform the section 7520 hurdle rate.

Installment sale to grantor trust (IDGT)

Often used for appreciating assets; requires careful seed, valuation, and cash-flow planning.

Intra-family loans

Can move upside through family financing when rates and economics support the plan.

Family entity planning (FLP/LLC)

May centralize governance and transfer fractional interests, but valuation and business purpose matter.

The client keeps or receives a defined economic position while appreciation shifts to heirs or trusts.

Option: Charitable planning

Donor-advised fund

Simple lifetime or testamentary charitable vehicle for clients who want flexible giving.

Charitable remainder trust

Potential income stream plus charitable remainder; useful with low basis / appreciated assets.

Charitable lead trust

Charity receives lead interest; remainder may pass to family

Formula charitable bequest

In certain state-tax cliff jurisdictions, can help manage taxable estate at death.

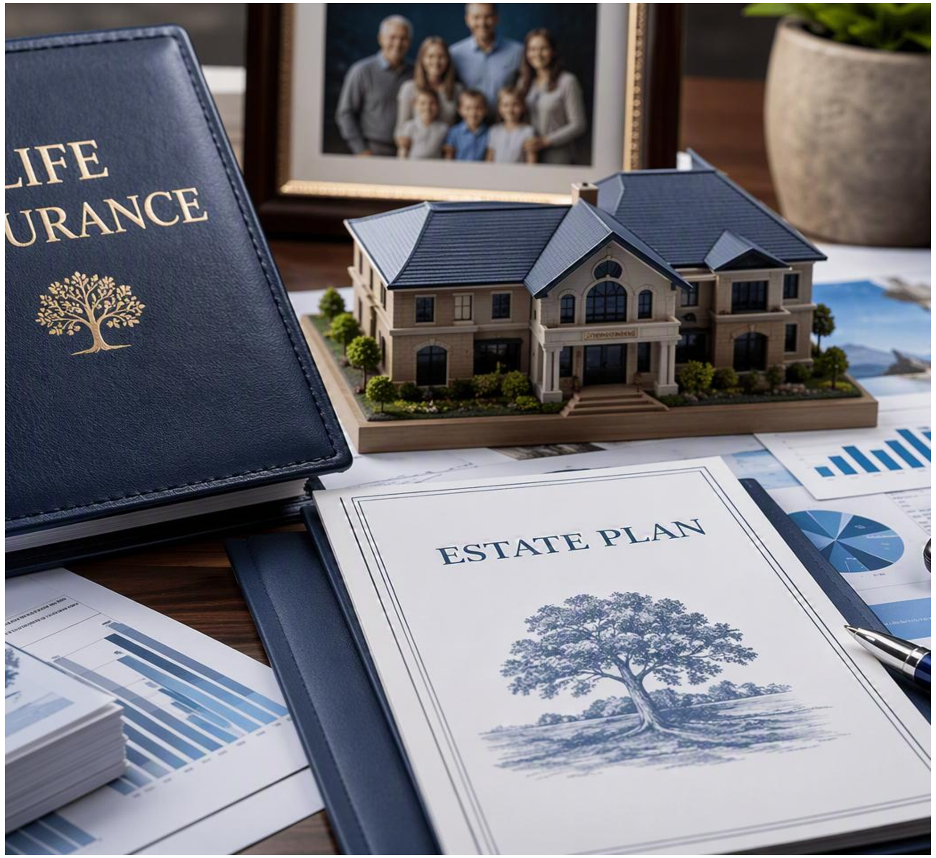
Option: Using life insurance and ILITs to create liquidity

Liquidity problem
State estate tax may be payable before illiquid assets can be sold or refinanced efficiently.

ILIT role
Properly structured insurance can provide outside-the-estate liquidity for taxes, expenses, equalization, or buy-sell needs.

Design cautions
Incidents of ownership, transfer-for-value, Crummey administration, GST allocation, premium funding, and trustee powers.

Client message
Insurance is not an avoidance strategy; it is a funding strategy for unavoidable obligations and legacy goals.



Case study: Massachusetts couple, $8M NW

Goal: stay near family; reduce state estate tax exposure; preserve flexibility

Estate composition	Residence, brokerage assets, retirement accounts, family LLC interest, life insurance.
Client goals	Stay in Massachusetts, support children/grandchildren, avoid forced sale, preserve family values.
Planning friction	State estate tax exposure, no desire to move, basis vs. gifting tradeoffs, liquidity needs.

Potential planning

- Update revocable trust with state-sensitive marital / credit shelter or disclaimer trust language
- Consider lifetime gifting / SLAT for growth assets
- Evaluate charitable commitments and annual exclusion program
- Review ILIT or insurance ownership for liquidity

Roadmap: Facts to Strategy

Measure	Preserve	Transfer	Fund	Monitor
Current estate value, state situs, taxable gifts, liquidity, basis, cash-flow needs.	Use exemptions with credit shelter, QTIP, disclaimer, or portability elections where applicable.	Gift, SLAT, freeze, family entity or charitable strategies for appropriate assets.	Design liquidity through insurance, retained liquid assets, or sale / redemption planning.	State law changes, asset growth, family changes, domicile facts, and document alignment.

A strong plan is iterative: quantify, choose levers, pressure-test tradeoffs, document execution, and revisit periodically.

Red flags and “pause points”

Where Advanced Sales should slow the conversation down

“Just move” advice

Never substitute a tax slogan for a domicile analysis.

Mirror-image SLATs

Differentiate terms and economics; consider reciprocal trust doctrine risk.

Low-basis assets gifted too early

Quantify income tax tradeoff before letting estate tax tail wag the dog.

No liquidity plan

Avoid forcing heirs into asset sales under time pressure.

Outdated documents

State estate tax planning may be undermined by old formula clauses.

No governance plan

Tax-efficient assets can still become family-conflict assets.

Key takeaways

1. Clients often do not need to move to improve state estate tax outcomes.

2. Planning ideas — reduce value, shift appreciation, maximize exemptions, create liquidity — keep the planning conversation organized.

3. State estate tax planning is document-sensitive, asset-sensitive, and behavior-sensitive.

4. The best recommendation balances estate tax, income tax, access, control, liquidity, and lifestyle.

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