TO: Senate Co-Chair John W. Fonfara
   Senate Ranking Member Kevin D. Witkos
   House Co-Chair Jason Rojas
   House Ranking Member Christopher Davis
   Honorable Members of the Finance, Revenue and Bonding Committee

FROM: Paul J. Knierim
   Probate Court Administrator

RE: RB 877, AAC Revenue Items to Implement the Governor's Budget

DATE: March 15, 2019

Thank you for the opportunity to testify on Raised Bill 877, An Act Concerning Revenue Items to Implement the Governor’s Budget. This testimony will address two provisions contained in the bill: sections 9 through 12, which repeal the gift tax, and section 13, which extends the filing deadline for the estate tax from six to nine months from death.

The Office of the Probate Court Administrator does not take a position on the policy decision to eliminate the gift tax or to change the due date for the estate tax. It is critically important, however, that this committee understands the significant financial impact of the two proposals on the finances of the Probate Courts.

The estate tax filing deadline is currently six months from death. The proposal would extend the deadline to nine months, effective for individuals dying on or after January 1, 2019. The change would align Connecticut’s filing deadline with the existing nine-month deadline under the federal estate tax.

The estate tax filing deadline change will cause a one-time $7 million reduction in probate fee revenue in FY20. This consequence results from the fact that Probate Court fees are calculated on the basis of the figures reported on the estate tax return. The three month extension will mean that about a quarter of the estates that would have
been required to pay the probate fee in FY20 will be able to defer payment into FY21. While probate fee revenue will return to normal in FY21, we will not recover the lost revenue as long as the deadline remains at nine months. (See attached chart entitled, "Estate Tax Filing Deadline.")

In addition, repeal of the gift tax will cause an annual reduction in probate fee revenue of approximately $0.5 million. Unlike the estate tax change, the revenue reduction associated with elimination of the gift tax will continue each year on an ongoing basis.

The issue is critical because all costs of operating the Probate Courts are paid from a special revenue fund known as the Probate Court Administration Fund. Unless the General Fund appropriation for the Probate Courts is increased to offset the revenue reduction, the estate and gift tax changes will cause the Probate Court system to be insolvent and unable to pay its bills in FY20.

As the General Assembly evaluates the financial needs of the Probate Court system, I must stress how important the work of the Probate Courts is to our state’s safety net. While historically associated with estates, the majority of cases in the Probate Courts today concern the needs of children, seniors and individuals with mental illness, intellectual disability and autism. More than 40,000 Connecticut residents depend on conservators and guardians appointed by the Probate Courts to arrange housing, nutrition, medical care, psychiatric treatment and personal safety. By giving relatives the tools they need to arrange community-based care for their loved ones, Probate Courts save state agencies more than $700 million each year. (See attached chart entitled, "Probate Courts and State Agencies.")

State savings from Probate Court services is even more remarkable considering how small a portion of the operating cost of the Probate Court system is borne by the General Fund. As the attached chart illustrates, our requested General Fund appropriation will represent only 14% of our budget next year. (See attached chart entitled, "Connecticut Probate Courts General Fund Appropriation Compared to Annual Expenditures.")

This minimal investment represents an exceptional value proposition for our state. For every $1 dollar of appropriation, the state gets $7 of essential safety-net services for tens of thousands of Connecticut residents. The state’s leverage is even more extraordinary when the financial impact of those services is factored in: for every $1 of appropriation, the state achieves more than $100 in state agency savings.

In summary, I urge the General Assembly to consider the impact of estate and gift tax changes on the finances of the Probate Courts and, if the changes are approved, to support a sufficient General Fund Appropriation for the Probate Courts to cover the shortfall.

Thank you for your consideration.
Estate Tax Filing Deadline
Impact of changing deadline from 6 to 9 months
FY20 Probate Court Budget

Probate Fees

- $7.0 Million
- $7.0 Million
- $24.5 Million

Fees on Decedents' Estates  FY20 Lost Revenue  All Other Probate Fees
Probate Courts and State Agencies: Meeting Family Needs Creates Significant Savings

Probate Courts facilitate family-centered solutions to meet the needs of seniors, children and individuals with intellectual disability and mental illness. The efforts of guardians and conservators to arrange care at home or other community-based settings save the state an estimated $733 million each year by avoiding more costly state services. Probate Courts deliver these results with a minuscule $7.2 million GF appropriation.

DDD
Conservatorship
Elder Justice Coalition
Prevention of Elder Abuse
Autism
Paternity
$206 million saved annually

DMHAS
Conservatorship
Commitments
Melissa's Project
Drug & Alcohol commitments
$402 million in inpatient care expense saved through conservator-arranged community supports for persons with mental illness

AG
Charitable trusts

DDS
Guardianship of adults with intellectual disability

DPH
Public health emergencies
Quarantine orders

DCF
Guardianship of children
Adoption
Special Immigrant Juvenile Status
Probate Court guardians caring for children save $66 million each year from foster care budget

DRS
Estate tax compliance

DESP
National Instant Criminal Background Check System reporting of mental health adjudications

DAS
$59 million per year recovered from estates in reimbursements for public assistance
Connecticut Probate Courts
General Fund Appropriation Compared to Annual Expenditures

($ in millions)

FY13 through FY18 = Actual
FY19 = Budget
FY20 = Proposed