



Gift and Estate Taxes at a Glance

February 2017

This is our 21st annual GIFT AND ESTATE TAXES AT A GLANCE, a quick reference for the recent history of the gift and estate exclusion amounts, rates and commentary, including changes from several recent tax acts. We caution against using this information as the sole source of answers to your tax questions. Please call us for more information and for further explanations. See also our website (www.jvtr.com) for other useful information and for updates to this document.

Recent history of gift tax changes

During his presidency, President George W. Bush signed into law the *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA) and the *Jobs and Growth Tax Relief and Reconciliation Act of 2003* (JGTRRA), dramatically changing gift taxation for 2002 through 2010.

In December 2010, President Obama signed into law the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*, dramatically increasing lifetime gift exclusions and retaining the lower gift tax rates from 2010 for 2011 and 2012.

In January 2013, President Obama signed into law the *American Taxpayer Relief Act*, making permanent a number of tax law provisions that were scheduled to expire or change dramatically at the end of 2012. The table below shows amounts that can be transferred during lifetime without the imposition of the federal gift tax (annual exclusion gifts as well as lifetime exclusion gifts), amounts of generation skipping lifetime exclusion gifts, and a schedule of gift tax rates.

For Gifts Made In	Annual Gift Exclusions (Per Donee) See (B)	Unified Credit Exemption Equivalent (Former rules) See (C)	Gifts to A Spouse During Lifetime	Highest Tax Rate Applicable to Gifts	Generation Skipping Tax (GST) Lifetime Exclusion
1987-1997	\$10,000	\$600,000	Unlimited	55%	\$1,000,000
1998	\$10,000	\$625,000	Unlimited	55%	\$1,000,000
1999	\$10,000	\$650,000	Unlimited	55%	\$1,010,000
2000	\$10,000	\$675,000	Unlimited	55%	\$1,030,000
2001	\$10,000	\$675,000	Unlimited	55%	\$1,060,000
2002 (A)	\$11,000	Replaced with → \$1,000,000	Unlimited	50%	\$1,090,000
2003	\$11,000	\$1,000,000	Unlimited	49%	\$1,120,000
2004	\$11,000	\$1,000,000	Unlimited	48%	\$1,500,000
2005	\$11,000	\$1,000,000	Unlimited	47%	\$1,500,000
2006 (A)	\$12,000	\$1,000,000	Unlimited	46%	\$2,000,000
2007	\$12,000	\$1,000,000	Unlimited	45%	\$2,000,000
2008	\$12,000	\$1,000,000	Unlimited	45%	\$2,000,000
2009 (A)	\$13,000	\$1,000,000	Unlimited	45%	\$3,500,000
2010	\$13,000	\$1,000,000	Unlimited	35%	Total repeal
2011	\$13,000	\$5,000,000	Unlimited	35%	\$5,000,000
2012	\$13,000	\$5,120,000	Unlimited	35%	\$5,120,000
2013	\$14,000	\$5,250,000	Unlimited	40%	\$5,250,000
2014	\$14,000	\$5,340,000	Unlimited	40%	\$5,340,000
2015	\$14,000	\$5,430,000	Unlimited	40%	\$5,430,000
2016	\$14,000	\$5,450,000	Unlimited	40%	\$5,450,000
2017	\$14,000	\$5,490,000	Unlimited	40%	\$5,490,000

(A) For “present interest” gifts. The 1997 Tax Act provided for indexing this amount for inflation. The first \$1,000 increase occurred in 2002, the second in 2006, the third in 2009 and the fourth in 2013. This table amount does not include the additional gift exclusions for qualified tuition and health care payments made directly to a school or health care provider.

(B) A spouse may “consent” to the “present interest” gifts of the other spouse, thereby raising the annual gift exclusion cap to twice the amount listed in Annual Gift Exclusions column of the above table.

(C) When the “unified credit” is used in a gift tax return, it reduces gift tax calculated on taxable gifts up to the amounts listed in the

second dollar column of the above table (1987 thru 2001). The “Applicable Exclusion Amount” in the third dollar column accomplishes the same purpose by reducing taxable gift amounts by up to the amounts listed in that column of the above table (2002 thru 2017). The rules are now permanent (i.e., are not scheduled to expire at any certain future date) and will continue to be annually adjusted for inflation.



Gift and Estate Taxes at a Glance

Recent history of estate tax changes

In June 2001, President GW Bush signed into law the *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA), and in 2003 President GW Bush signed into law the *Jobs and Growth Tax Relief and Reconciliation Act of 2003* (JGTRRA), dramatically changing estate taxation for 2002 through 2010.

In December 2010, President Obama signed into law the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*, dramatically increasing the estate tax exclusion and retaining the lower estate tax rates from 2010 for 2011 and 2012.

In January 2013, President Obama signed into law the *American Taxpayer Relief Act*, making permanent a number of tax law provisions that were scheduled to expire or change dramatically at the end of 2012. The table below shows amounts that can be transferred at death without the imposition of the federal estate tax, new tax basis step-up rules for 2010 only, and a schedule of estate tax rates.

For Estates of Decedents Dying In	Unified Credit Exemption Equivalent (Former rules) See (A)	"Applicable Exclusion Amount" (New rules) See (A)	Bequests To A Spouse At Death	Highest Tax Rate Applicable to an Estate	Surtax Rate for Taxable Estates Greater than \$10 Million	Maximum Basis Step-up For Assets Transferred See (B)	Maximum Addtl Basis Step-up For Assets Transferred To Spouse or Qualified Trust
1987-1997	\$600,000		Unlimited	55%	5%	NA	NA
1998	\$625,000		Unlimited	55%	5%	NA	NA
1999	\$650,000		Unlimited	55%	5%	NA	NA
2000	\$675,000		Unlimited	55%	5%	NA	NA
2001	\$675,000		Unlimited	55%	5%	NA	NA
2002	Replaced with →	\$1,000,000	Unlimited	50%	Repealed	NA	NA
2003		\$1,000,000	Unlimited	49%	NA	NA	NA
2004		\$1,500,000	Unlimited	48%	NA	NA	NA
2005		\$1,500,000	Unlimited	47%	NA	NA	NA
2006		\$2,000,000	Unlimited	46%	NA	NA	NA
2007		\$2,000,000	Unlimited	45%	NA	NA	NA
2008		\$2,000,000	Unlimited	45%	NA	NA	NA
2009		\$3,500,000	Unlimited	45%	NA	NA	NA
For 2010:							
Old rule, or New rule (C)		Total repeal	Unlimited	NA	NA	\$ 1,300,000	\$ 3,000,000
		\$5,000,000	Unlimited	35%	NA	NA	NA
2011		\$5,000,000	Unlimited	35%	NA	NA	NA
2012		\$5,120,000	Unlimited	35%	NA	NA	NA
2013		\$5,250,000	Unlimited	40%	NA	NA	NA
2014		\$5,340,000	Unlimited	40%	NA	NA	NA
2015		\$5,430,000	Unlimited	40%	NA	NA	NA
2016		\$5,450,000	Unlimited	40%	NA	NA	NA
2017		\$5,490,000	Unlimited	40%	NA	NA	NA

(A) When the "unified credit" is used in the estate tax return, it reduces estate tax calculated on a taxable estate up to the amounts listed in the first dollar column of the above table (1987 thru 2001). The "Applicable Exclusion Amount" accomplishes the same purpose by reducing a taxable estate amount by up to the amounts listed in the second dollar column of the above table (2002 thru 2017). The rules are now permanent (i.e., are not scheduled to expire at any certain future date) and will continue to be annually adjusted for inflation.

(B) Modified carryover basis rule — for 2010 only, unless the decedent's estate elected otherwise, the tax basis of property received from a decedent who died in 2010 was the lesser of the decedent's adjusted basis in the property or the property's fair market value at the date of the decedent's death. However, each such estate was able to increase the basis of assets transferred to beneficiaries by up to the amounts shown in the last two columns in the above table.

(C) The estate of a decedent who died in 2010 could have elected to use either the old rules (no estate tax, but with modified carryover basis) or the new rules (estate tax with an exclusion of \$5,000,000 and a 35% maximum rate).