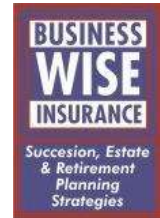


# The History of the Estate Tax Exemption Amounts up to Year 2023

How Much Net Worth Can Someone Give Away Before They Have to pay an Estate Tax?  
Estate Tax Due Upon Death for Single Individuals or Upon the 2<sup>nd</sup> Death if Married.



Year of Death	Estate Tax Lifetime Exemption Form 706
2027	?
<b>2026</b> <sup>1</sup>	<b>\$6,800,000</b>
2025 <sup>2</sup>	<b>\$13,100,000</b>
2024 <sup>2</sup>	\$13,000,000
2023	\$12,920,000
2022	\$12,060,000
2021	\$11,700,000
2020	\$11,580,000
2019	\$11,400,000
2018 <sup>1</sup>	\$11,180,000
2017	\$5,490,000
2016	\$5,450,000
2015	\$5,430,000
2014	\$5,340,000
2013	\$5,250,000
2012	\$5,120,000
2011	\$5,000,000
1. The 2017 Tax Cuts & Jobs Act (TCJA) sunsets end 2025	
2. Bloomberg projection, not final until IRS announcement	
Note: Individuals may gift \$17,000 per benefactor per year during lifetime without tax impacts. Married couples may split gifts totaling \$34,000 year 2023.	

## Making large gifts now won't harm estates after 2025

On November 26, 2019, the IRS clarified that individuals taking advantage of the increased gift tax exclusion amount in effect from 2018 to 2025 will not be adversely impacted after 2025 when the exclusion amount is scheduled to drop to pre-2018 levels. The IRS formally made this clarification in final regulations released that day. The regulations implement changes made by the Tax Cuts and Jobs Act (TCJA), tax reform legislation enacted in December 2017. Here are some questions and answers on the new law and regulations.

### Q. What are gift and estate taxes?

**A.** Gift and estate taxes apply to transfers of money, property and other assets. Simply put, these taxes only apply to large gifts made by a person while they are alive, or large amounts left for heirs when they die.

### Q. How are gift and estate taxes figured?

**A.** In general, the Gift Tax and Estate Tax provisions apply a unified rate schedule to a person's cumulative taxable gifts and taxable estate to arrive at a net tentative tax. Any tax due is determined after applying a credit based on an applicable exclusion amount. A key component of this exclusion is the basic exclusion amount (BEA). The credit is first applied against the gift tax, as taxable gifts are made. To the extent that any credit remains at death, it is applied against the estate tax.

### Q. How did the tax reform law change gift and estate taxes?

**A.** The tax reform law doubled the BEA for tax-years 2018 through 2025. Because the BEA is adjusted annually for inflation, the 2018 BEA is \$11.18 million, the 2019 BEA is \$11.4 million and for 2020, the BEA is \$11.58 million. Under the tax reform law, the increase is only temporary. Thus, in 2026, the BEA is due to revert to its pre-2018 level of \$5 million, as adjusted for inflation.

### Q. How did the IRS clarify the law?

**A.** To address concerns expressed by a number of stakeholders, the final regulations clarify that people taking advantage of the increased BEA by making gifts during the period 2018 to 2025 will not be harmed after 2025 when this amount is scheduled to drop. The regulations provide a special rule that effectively allows the estate to compute its estate tax credit using the greater of the BEA applicable to gifts made during life, or the BEA applicable on the date of death. As a result, people planning to make large gifts between 2018 and 2025 can do so without being concerned that they will lose the tax benefit of the higher exclusion level once it decreases.

## A Young Idea: Exemptions from an Inheritance / Estate Tax

Year of Death	Exemption \$
1977 (Quarters 1 and 2)	\$30,000
1977 (Quarters 3 and 4)	\$120,667
1978	\$134,000
1979	\$147,333
1980	\$161,563
1981	\$175,625
1982	\$225,000
1983	\$275,000
1984	\$325,000
1985	\$400,000
1986	\$500,000
1987 through 1997	\$600,000
1998	\$625,000
1999	\$650,000
2000 and 2001	\$675,000
2002 through 2010	\$1,000,000

Year of Death	Exemption \$
2011	\$5,000,000
2012	\$5,120,000
2013	\$5,250,000
2014	\$5,340,000
2015	\$5,430,000
2016	\$5,450,000
2017	\$5,490,000
2018	\$11,180,000
2019	\$11,400,000
2020	\$11,580,000
2021	\$11,700,000
2022	\$12,060,000
2023	\$12,920,000
2024 <sup>2</sup>	\$13,000,000
2025 <sup>2</sup>	\$13,100,000
2026 <sup>1</sup>	\$6,800,000
2027	?

IRS Form 706 is the U.S. Estate and Generation-Skipping Transfer Tax Return form used by an executor of a decedent's estate to calculate the estate tax owed, according to Chapter 11 of the Internal Revenue Code (IRC). The tax is levied on the entire taxable estate, not just on the share a specific beneficiary receives. Executors also use Form 706 to calculate the generation-skipping transfer tax (GSTT) imposed by Chapter 13 of the IRC. It helps executors determine the overall value of an estate prior to distributing any assets to beneficiaries as outlined in the decedent's will or trust. The IRS treats any inheritance on a stepped-up valuation — or a step-up basis. That means the cost basis is adjusted to the fair market value as of the date of death. Using the stepped-up valuation methodology allows heirs to minimize capital gains taxes. The method also allows for a cleaner valuation process in terms of limiting the number of administrative tasks associated with the estate.

The generation-skipping transfer tax (GSTT) is a separate tax on the transfer of property that skips a generation (GST) by making bequests directly to grandchildren or great-grandchildren. The parent's generation is skipped to avoid an inheritance being subject to estate taxes twice when the grandchild's parents pass away. The person giving the gift is referred to as the *transferor* and the recipient is known as the *skip person*. Many people use a grandchild as a skip person, but it does not have to be a family member. Anyone is eligible to receive a GST gift as long as the skipped person is at least 37½ years younger than the transferor. There are special calculations in order to determine the value of the property that may be exempt, and, in part, the current amount reported on the transferor's Form 706 may change the eligible GSTT value. However, it is a great strategy to consider increasing the value to the ultimate heir(s) through the skip and best planned early in the estate planning process. It is best calculated by an estate planning attorney or CPA fluent in the subject.

**Give Us a Call, We Can Help: (425) 595-5158**

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