

History of the Federal Estate Tax

Did you know that the estate tax has been repealed and reinstated many times? If you've delayed your estate and tax planning, now is the time to examine your options. Plan for your family and plan for your taxes so your family doesn't need to pay the price.

Estate taxes have been a part of U.S. history since the 18th century. The economy and war have been the primary drivers of this tax. Over the years, the federal estate tax has increased and decreased. If history is any indicator, even when taxes are repealed, it does not stay repealed for long, and any drop in estate taxes will eventually be followed by an increase. Here's a sample of the history of the federal estate tax over the last 200+ years.

Year	Legislation
1797-1802	To cover expenses, a Federal Stamp Tax is imposed on certain estates. It remains in place until 1802.
1815	Congress debates an estate tax to finance the War of 1812.
1864-1870	Estate taxes are introduced due to budgetary pressures from the Civil War.
1898-1902	After several attempts by Congress, an estate tax is introduced on estates greater than or equal to \$10,000.
1916	Estate tax is levied on estates over \$50,000.
1924	Estate tax rate is increased to 40%. The gift tax is added.
1926	Gift tax is repealed.
1932	Gift tax is reinstated.
1934	Estate tax rate increases to 60% for estates over \$10 million.
1948-1953	Various bills pass increasing and decreasing the estate and gift taxes. Estate tax rates rise as high as 77%, and gift tax rates rise as high as 57.75%.



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Year	Legislation
1954	Most employer qualified plans are exempted from estate taxes. By 1982, this exclusion is reduced to only \$100,000. It is repealed in 1988 and a 15% excise tax is imposed that remains in place until 1997.
1976	Major legislation combines estate and gift taxes into a unified rate.
1986	Generation skipping taxes at a flat 55% rate are imposed. Remain in place to this day.
2001	Congress votes to gradually decrease estate taxes.
2010	Estate and generation skipping transfer taxes are repealed. Gift taxes continue with a \$1,000,000 lifetime exemption and maximum 35% tax rate. Carryover basis rules, rather than stepped-up basis for estate assets, limited step-up (\$1.3 million and additional \$3 million for assets left to spouse).
2010 revisited	Two year provision that estate, gift and generation skipping taxes have a \$5,000,000 combined lifetime and at-death exclusion and a maximum 35% rate. "Portability" for a spouse's unused exemption. The exemption to be indexed for inflation. For those who died in 2010, their estates may choose either the \$5,000,000 exemption or the carryover basis regime.
2013 and beyond	"Permanent" provision that estate, gift and generation skipping taxes have a \$5,000,000 combined lifetime and at death exclusion and a maximum 40% rate, indexed for inflation. "Portability" is retained for a spouse's unused applicable exclusion amount.

The Economic Growth and Tax Relief Reconciliation Act of 2001, provided for the repeal of the estate and GST taxes for the year 2010, though retained the gift tax. The Tax Relief, Unemployment Reauthorization and Jobs Creation Act of 2010 reunified the estate, gift and GST tax exemption and provided a \$5 million exemption amount for 2010-2012. The 2012 Taxpayer Relief Act made the \$5,000,000 exemption and portability permanent (until the next law).

Do you think the \$5,000,000 exemption is here to stay?

Please consult with your Guardian Financial Representative if you have any questions concerning this document.

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