

History of the Exemption Equivalent

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(The amount of assets that can be transferred and protected, by tax credit, from one or more transfer taxes)

Tax Act	Exemption Amount	Phase in Period
The Economic Recovery Tax Act of 1981 (ERTA)	From \$175,625 To \$600,000	1982 ~ 1987
The Tax Payer Relief Act of 1997 (TRA)	From \$600,000 To \$1,000,000	1998 ~ 2006 (Accelerated by EGTRRA)*
The Economic Growth and Tax Recovery Reconciliation Act of 2001 (EGTRRA) Under EGTRRA, there wouldn't have been any estate tax in 2010 (In fact this actually happened). However, a "sunset" provision provided for a return to the prior law in 2011, with a \$1 Million exemption equivalent. Also, during the EGTRRA phase in, the exemption equivalent for gift taxes was held at \$1 million thus decoupling the two transfer tax credits. The previously used term "Unified" was no longer applicable. ATRA reunified the taxes, so for now, the term Unified Credit Equivalent is sometimes used. The individual amount for 2013 is \$5,250,000 which is applicable to transfers during both one's life and after one's death, and includes generation skips. Additionally, there is a complicated and widely misunderstood provision with embedded tax traps being called "Portability", which is fueling complacency and a false sense of security for many.	From \$675,000 To \$1,000,000	In 2002 & 2003
	From \$1,000,000 To \$1,500,000	In 2004 & 2005
	From \$1,500,000 To \$2,000,000	In 2006, 2007 & 2008
	From \$2,000,000 To \$3,500,000	2009
	To \$5,000,000	2010 ~ 2011 (Retroactively for some)
The American Taxpayer Relief Act (ATRA)	\$5,000,000*	Indexed from 2011

*"There is no such thing as a Permanent Tax Law; in fact, including Permanent and Tax Law in the same sentence is either naïve or disingenuous."

Historical and Current Exclusion Amounts and Max Rates 1977 – 2014

Year	Estate Tax Exemption Equivalent†	Estate Tax Credit (applicable credit amount)	Gift Tax Applicable Exclusion Amt	Maximum Gift and Estate Tax Rate	Top Marginal Rate Begins at (in millions)	Annual Gift Exclusion per Donee Single/Joint
1977	\$120,667	\$30,000	\$120,667	70%	5.0	\$3,000/\$6,000
1978	134,000	34,000	134,000	70%	5.0	\$3,000/\$6,000
1979	147,333	38,000	147,333	70%	5.0	\$3,000/\$6,000
1980	161,563	42,500	161,563	70%	5.0	\$3,000/\$6,000
1981	175,625	47,000	175,625	70%	5.0	\$3,000/\$6,000
1982	225,000	62,800	225,000	65%	4.0	\$10,000/\$20,000
1983	275,000	79,300	275,000	60%	3.5	\$10,000/\$20,000
1984	325,000	96,300	325,000	55%	3.0	\$10,000/\$20,000
1985	400,000	121,800	400,000	55%	3.0	\$10,000/\$20,000
1986	500,000	155,800	500,000	55%	3.0	\$10,000/\$20,000
1987 - 1997	600,000	192,800	600,000	55%*	3.0	\$10,000/\$20,000
1998	625,000	202,050	625,000	55%	3.0	\$10,000/\$20,000
1999	650,000	211,300	650,000	55%	3.0	\$10,000/\$20,000
2000	675,000	220,550	675,000	55%	3.0	\$10,000/\$20,000
2001	675,000	229,550	675,000	55%	3.0	\$10,000/\$20,000
2002	1,000,000	345,800	1,000,000	50%	2.5	\$11,000/\$22,000
2003	1,000,000	345,800	1,000,000	49%	2.0	\$11,000/\$22,000
2004	1,500,000	555,800	1,000,000	48%	2.0	\$11,000/\$22,000
2005	1,500,000	555,800	1,000,000	47%	2.0	\$11,000/\$22,000
2006	2,000,000	780,800	1,000,000	46%	2.0	\$12,000/\$24,000
2007	2,000,000	780,800	1,000,000	45%	1.5	\$12,000/\$24,000
2008	2,000,000	780,800	1,000,000	45%	1.5	\$12,000/\$24,000
2009	3,500,000	1,455,800	1,000,000	45%	1.5	\$13,000/\$26,000
2010 (opt out of 2010 act - apply 2001 act)	N/A (Taxes Repealed)	N/A (Taxes Repealed)	1,000,000	Top individual income tax rate (Gift tax only)	N/A	\$13,000/\$26,000
2010 (apply 2010 Act)	5,000,000	1,730,800	1,000,000	35%	0.5	\$13,000/\$26,000
2011	5,000,000	1,730,800	5,000,000	35%	0.5	\$13,000/\$26,000
2012	5,120,000	1,772,800	5,120,000	35%	0.5	\$13,000/\$26,000
2013	5,250,000	2,045,800	5,250,000	40%	1.0	\$14,000/\$28,000
2014	5,340,000	2,081,800	5,340,000	40%	1.0	\$14,000/\$28,000

† Now known as Applicable Exclusion Amount

* Between 1987 and 1997 there was a 5% surtax (in addition to the 55% marginal rate) between \$10,000,000 and \$21,040,000. This phased out the graduated rates to make the tax a flat 55% for estates above \$21,040,000.

** Beginning in 2012 the Estate and Gift Applicable Exclusion Amounts are adjusted for inflation to the nearest \$10,000 increment using 2010 as the base year. Click on the years above for a copy of the Revenue Procedure or other reference setting forth annual inflation adjustments

*** Beginning in 2011, a deceased spouse's unused exclusion amount (known as the DSUE) may be transferred to a surviving spouse by filing an estate tax return and making an election.

If you have questions about this or other planning issues, please give us a call at 216-765-0121.

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