

Overview of Estate and Gift Taxation

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(U.S. federal rules – state rules may vary)

1. Core Concepts

Term	Definition	Key Point
Estate Tax	Tax on the transfer of a decedent's assets at death.	Imposed on the gross estate before distribution to heirs.
Gift Tax	Tax on the transfer of property during a donor's lifetime without full consideration.	Treated as a "pre-death" transfer; the same tax rate schedule applies as the estate tax.
Unified Tax System	Estate and gift taxes share a single Unified Tax Credit and rate schedule .	A large gift today reduces the amount that can be taxed at death, and vice versa.
Taxable Estate / Taxable Gift	Gross estate (or total gifts) minus allowable deductions.	Only the net amount is subject to tax.

2. Unified Tax Credit (Estate/Gift Credit)

Year	Unified Credit (2024)	Effective exemption (?)
2023	\$12,920,000	\$12.92?million
2024	\$13,000,000 (approx.)	\$13.0?million
2025	Adjusted for inflation (CPI) ~ \$13.2?million	
• Effect: Taxable amounts up to the credit are tax-free. • Portability: Surviving spouse can elect to use the unused portion of the deceased spouse's credit (file Form 706?A).		

3. Tax Rates

- **Progressive rates** from 18% to 40% (2024).

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- The highest marginal rate (40%) applies to amounts **above roughly \$1?million** of taxable estate/gifts (after credit).

Taxable amount (after credit) Rate

\$0 – \$10,000	18%
\$10,001 – \$20,000	20%
\$20,001 – \$40,000	22%
\$40,001 – \$60,000	24%
\$60,001 – \$80,000	26%
\$80,001 – \$100,000	28%
\$100,001 – \$150,000	30%
\$150,001 – \$250,000	32%
\$250,001 – \$500,000	34%
\$500,001 – \$750,000	37%
\$750,001 – \$1,000,000	39%
> \$1,000,000	40%

(Exact brackets are adjusted annually for inflation.)

4. Gross Estate – What’s Included?

1. **Property owned at death** – real estate, securities, cash, life?insurance proceeds (if the decedent owned the policy).
2. **Transfers made within three years of death** (the “**look?back**” rule).
3. **Certain retained interests** – e.g., retained life estates, grantor trusts.
4. **Beneficiary designations** – payable on death (POD) accounts, revocable trusts.

Deductions from Gross Estate

Deduction	Typical Amount / Conditions
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Marital deduction	Unlimited transfer to a U.S. citizen spouse.
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