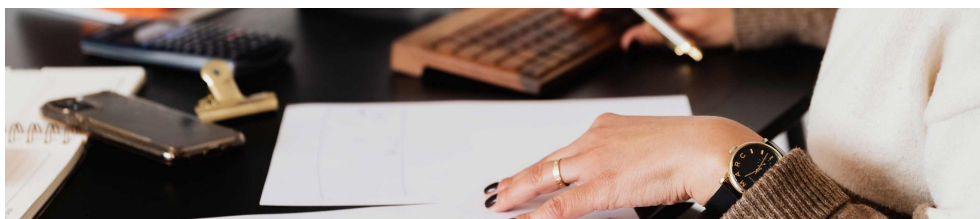


[Back to Home](#) > [Back to Expert Insights](#) > [Historical Look at Estate and Gift Tax Rates](#)

TAX & ACCOUNTING

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Historical Look at Estate and Gift Tax Rates

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MAXIMUM ESTATE TAX RATES (1916–2022)

In effect from September 9, 1916, to March 2, 1917	10% of net estate in excess of \$5 million
In effect from March 3, 1917, to October 3, 1917	15% of net estate in excess of \$5 million
In effect from October 4, 1917, to 6:55 p.m. EST, February 24, 1919	Basic estate tax of 15% of net estate in excess of \$5 million plus war estate tax of 10% of net estate tax in excess of \$10 million
In effect after 6:55 p.m. EST, February 24, 1919, to 10:25 a.m. EST, February 26, 1926	25% of net estate in excess of \$10 million
In effect after 10:25 a.m. EST, February 26, 1926, to 5 p.m. EST, June 6, 1932	20% of net estate in excess of \$50 million ¹
In effect after 5 p.m. EST, June 6, 1932, to May 10, 1934	45% of net estate in excess of \$50 million ¹
In effect from May 11, 1934, to August 30, 1935	60% of net estate in excess of \$50 million ¹
In effect from August 31, 1935, to June 25, 1940	70% of net estate in excess of \$50 million ¹

21,1941	70% of excess of net estate over \$10 million ¹ plus a defense tax of 10% of the total tax computed under the basic and additional estate taxes (in effect, maximum tax was 77%)
Estates of decedents dying after September 20, 1941, but before August 17, 1954	77% of excess of net estate over \$10 million ¹
Estates of decedents dying after August 16, 1954, but before 1977	77% of excess over \$10 million
Estates of decedents dying after 1976 but before 1982	70% of excess over \$5 million
Estates of decedents dying in 1982	65% of excess over \$4 million
Estates of decedents dying in 1983	60% of excess over \$3.5 million
Estates of decedents dying after 1983 and before 1988	55% of excess over \$3 million
Estates of decedents dying after 1987 and before 1998	55% of excess over \$3 million (effectively 60% for estates in excess of \$10 million but less than \$21,040,000 because of a surtax to phase out benefits of the graduated rates and unified credit)
Estates of decedents dying in 1998 through 2001	55% of excess over \$3 million (effectively 60% for estates in excess of \$10 million but less than \$17,184,000 because of surtax to phase out benefits of only the graduated rates)
Estates of decedents dying in 2002	50% of excess over \$2.5 million ²
Estates of decedents dying in 2003	49% of excess over \$2 million
Estates of decedents dying in 2004	48% of excess over \$2 million
Estates of decedents dying in 2005	47% of excess over \$2 million
Estates of decedents dying in 2006	46% of excess over \$2 million
Estates of decedents dying in 2007 and 2008	45% of excess over \$2 million ³
Estates of decedents dying in 2009	45% of excess over \$3.5 million
Estates of decedents dying in 2010	35% of excess over \$5 million and stepped-up basis for inherited assets, or election for no estate tax, but carryover basis for inherited assets ⁴
Estates of decedents dying in 2011	35% of excess over \$5 million ⁵
Estates of decedents dying in 2012	35% of excess over \$5,120,000 (as adjusted for inflation) ⁵
Estates of decedents dying in 2013	40% of excess over \$5,250,000 (as adjusted for inflation) ⁶

Estates of decedents dying in 2014	40% of excess over \$5,340,000 (as adjusted for inflation) ⁶
Estates of decedents dying in 2015	40% of excess over \$5,430,000 (as adjusted for inflation) ⁶
Estates of decedents dying in 2016	40% of excess over \$5,450,000 (as adjusted for inflation) ⁶
Estates of decedents dying in 2017	40% of excess over \$5,490,000 (as adjusted for inflation) ⁶
Estates of decedents dying in 2018	40% of excess over \$11,180,000 (to be adjusted for inflation using Chained CPI) ⁷
Estates of decedents dying in 2019	40% of excess over \$11,400,000 (as adjusted for inflation using Chained CPI) ⁷
Estates of decedents dying in 2020	40% of excess over \$11,580,000 (as adjusted for inflation using Chained CPI) ⁷
Estates of decedents dying in 2021	40% of excess over \$11,700,000 (as adjusted for inflation using Chained CPI) ⁷
Estates of decedents dying in 2021	40% of excess over \$12,060,000 (as adjusted for inflation using Chained CPI) ⁷

For Estate Taxes:

¹ Estate tax was composed of a basic estate tax plus an additional estate tax; in effect, estates never paid more than the amount of the additional estate tax.

² Beginning in 2002, the surtax on estates in excess of \$10 million is repealed. In addition, the maximum estate tax rate began to decrease, while the applicable exclusion amount for estate tax purposes (i.e., the lifetime amount shielded from estate tax) began to increase. During the years 2002 through 2009, the estate tax applicable exclusion amount was \$1 million in 2002 and 2003, \$1.5 million in 2004 and 2005, \$2 million in 2006 through 2008, and \$3.5 million in 2009.

³ Although the estate tax rate schedule for 2007 through 2009 (Code Sec. 2001) shows the 45% rate being imposed on estates in excess of \$1.5 million, the estate tax applicable exclusion amount effectively precludes taxation of any transfers in an amount below \$2 million in 2006 through 2008 and \$3.5 million in 2009.

⁴ The Tax Relief, Unemployment Reauthorization and Job Creation Act of 2010, reinstated the estate tax effective for decedents dying after December 31, 2009. However, the Tax Relief Act of 2010 also provided an election for the estates of decedents dying in 2010 to use the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) rules of no estate tax, but a carryover basis for inherited assets. Accordingly, few estates of decedents dying in 2010 will actually be subject to the estate tax. In addition, although the estate tax rate schedule for 2010 through 2012 (Code Sec. 2001) shows the 35% rate being imposed on estates in excess of \$500,000, the estate tax applicable exclusion amount effectively precludes taxation of any transfers in an amount below \$5 million in 2010 and 2011, and \$5,120,000 in 2012.

⁵ Beginning in 2011, the Tax Relief Act of 2010 allows a surviving spouse to utilize the unused portion of the applicable exclusion amount (as otherwise increased under the Act) of his or her last predeceased spouse. An election by the predeceased spouse's estate is required.

⁶ The Tax Relief Act of 2010 reinstated the estate tax at a lower rate and a higher exclusion amount than would have been the case if the sunset called for under EGTRRA had occurred. However, the Tax Relief Act of 2010 was only to apply to estates through 2012. It was scheduled to sunset in 2013,

provisions of EGTRRA and the 2010 Tax Relief Act, thus making the changes enacted by those laws permanent. The 2012 American Taxpayer Relief Act also raised the maximum estate tax rate to 40%. Although the estate tax rate schedule for 2013 and beyond (Code Sec. 2001) shows the 40% rate being imposed on estates in excess of \$1,000,000, the applicable exclusion amount effectively precludes taxation of any transfers in an amount below \$5,490,000 in 2017 (it was \$5,450,000 in 2016, \$5,430,000 in 2015, \$5,340,000 in 2014, and \$5,250,000 in 2013).

⁷ The Tax Cuts and Jobs Act of 2017 (P.L. 115-97) doubled the basic exclusion amount to \$10,000,000, as adjusted for inflation. It also altered the methodology for computing inflation adjustment amounts in the Internal Revenue Code to use the Chained Consumer Price Index for All Urban Consumers (C-CPI-U).

MAXIMUM GIFT TAX RATES (1924–2022)

1924–1925	40% on transfers in excess of \$10 million over the course of the donor's lifetime
1926–June 6, 1932	No gift tax imposed (repealed by the Revenue Act of 1926)
June 7, 1932–1934	33.5% on transfers in excess of \$10 million over the course of the donor's lifetime
1935	45% on transfers in excess of \$10 million over the course of the donor's lifetime
1936–1940	52.5% on transfers in excess of \$50 million over the course of the donor's lifetime
1941	52.5% on transfers in excess of \$50 million over the course of the donor's lifetime, plus a defense tax of 10% of the total tax computed (in effect, maximum tax was 57.75%)
1942–1976	57.75% on transfers in excess of \$10 million over the course of the donor's lifetime
1977–1981	70% of transfers in excess of \$5 million over the course of the donor's lifetime
1982	65% of transfers in excess of \$4 million over the course of the donor's lifetime
1983	60% of transfers in excess of \$3.5 million over the course of the donor's lifetime
1984–1987	55% of transfers in excess of \$3 million over the course of the donor's lifetime
1988–1997	55% of transfers in excess of \$3 million over the course of the donor's lifetime (effectively 60% for transfers in excess of \$10 million but less than \$21,040,000 because of a surtax to phase out the benefits of the graduated rates and unified credit)
1998–2001	55% of transfers in excess of \$3 million over the course of the donor's lifetime (effectively 60% for transfers in excess of \$10 million but less than \$17,184,000, because of a surtax to phase out the benefits of only the graduated rates)
2002	50% of transfers in excess of \$2.5 million over the course of the donor's lifetime
2003	49% of transfers in excess of \$2 million over the course of the donor's lifetime

2004	48% of transfers in excess of \$2 million over the course of the donor's lifetime ¹
2005	47% of transfers in excess of \$2 million over the course of the donor's lifetime
2006	46% of transfers in excess of \$2 million over the course of the donor's lifetime
2007–2009	45% of transfers in excess of \$1.5 million over the course of the donor's lifetime
2010	35% of transfers in excess of \$1 million over the course of the donor's lifetime ²
2011	35% of transfers in excess of \$5 million over the course of the donor's lifetime ³
2012	35% of transfers in excess of \$5,120,000 (as adjusted for inflation) over the course of the donor's lifetime ³
2013	40% of transfers in excess of \$5,250,000 (as adjusted for inflation) over the course of the donor's lifetime ⁴
2014	40% of transfers in excess of \$5,340,000 (as adjusted for inflation) over the course of the donor's lifetime ⁴
2015	40% of transfers in excess of \$5,430,000 (as adjusted for inflation) over the course of the donor's lifetime ⁴
2016	40% of transfers in excess of \$5,450,000 (as adjusted for inflation) over the course of the donor's lifetime ⁴
2017	40% of transfers in excess of \$5,490,000 (as adjusted for inflation) over the course of the donor's lifetime ⁴
2018	40% of transfers in excess of over \$11,180,000 (as adjusted for inflation using Chained CPI) ⁵
2019	40% of transfers in excess of \$11,400,000 (as adjusted for inflation using Chained CPI) ⁵
2020	40% of transfers in excess of \$11,580,000 (as adjusted for inflation using Chained CPI) ⁵
2021	40% of transfers in excess of \$11,700,000 (as adjusted for inflation using Chained CPI) ⁵
2022	40% of transfers in excess of \$12,060,000 (as adjusted for inflation using Chained CPI) ⁵

For Gift Taxes:

¹ Beginning in 2004, the applicable exclusion amount for gift tax purposes (i.e., the lifetime amount shielded from gift tax) differed from the amount used for estate tax purposes. During the years 2002 through 2010, the gift tax applicable exclusion amount remained constant at \$1 million, while the estate tax applicable exclusion amount was \$1 million in 2002 and 2003, \$1.5 million in 2004 and 2005, \$2 million in 2006 through 2008 and \$3.5 million in 2009.

² Although the gift tax rate schedule for the years 2010 through 2012 (Code Sec. 2502) shows the 35% rate being imposed on transfers in excess of \$500,000, the gift tax applicable exclusion amount effectively precludes taxation of any transfers in an amount below \$1 million in 2010, \$5 million in 2011 and \$5,120,000 in 2012.

increased under the Act) of his or her last predeceased spouse. An election by the predeceased spouse's estate is required.

⁴ The Tax Relief Act of 2010 lowered the top tax rate and increased the exclusion amount to \$5 million compared to what would have been the case if the transfer tax provisions of EGTRRA had been allowed to sunset as planned. However, the Tax Relief Act of 2010 was only to apply to gift taxes through 2012. It was scheduled to sunset in 2013, leaving the law as if EGTRRA and the Tax Relief Act of 2010 had never been passed. The American Taxpayer Relief Act of 2012 struck the sunset provisions of EGTRRA and the 2010 Tax Relief Act, thus making the changes enacted by those laws permanent. The 2012 Taxpayer Relief Act also raised the maximum gift tax rate to 40%. Although the gift tax rate schedule for 2013 and beyond (Code Sec. 2502 by reference to Code Sec. 2001) shows the 40% rate being imposed on gifts in excess of \$1,000,000, the applicable exclusion amount effectively precludes taxation of any transfers in an amount below \$5,490,000 in 2017, (it was \$5,450,000 in 2016, \$5,430,000 in 2015, \$5,340,000 in 2014, and \$5,250,000 in 2013).

⁵ The Tax Cuts and Jobs Act of 2017 (P.L. 115-97) doubled the basic exclusion amount to \$10,000,000, as adjusted for inflation. It also altered the methodology for computing inflation adjustment amounts in the Internal Revenue Code to use the Chained Consumer Price Index for All Urban Consumers (C-CPI-U).

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Mark Luscombe, a CPA and attorney, is the principal federal tax analyst for Wolters Kluwer Tax & Accounting. He is the current chair of the Important Developments Subcommittee of the Partnership Committee of the American Bar Association Tax Section and speaks on a wide range of tax topics. He authors monthly columns in Accounting Today and TAXES magazine. Prior to joining Wolters Kluwer, he was in private practice with several Chicago-area law firms where he specialized in taxation.

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