

Estate and Gift Taxes

The basic exclusion amount for federal estate and gift taxes and the exemption amount for purposes of the generation-skipping transfer is \$11,400,000 for decedents dying in 2019. The exemption amounts are adjusted annually for inflation. A transfer tax of 18 to 40 percent is levied on the net taxable transfers in excess of the applicable exclusion amount.

An estate tax of 18 to 40 percent is levied on the net taxable estate in excess of the applicable exclusion amount. The exclusion amount is \$11,400,000 for decedents dying in 2019. The exemption amounts are adjusted annually for inflation.

The applicable exclusion amount is reduced by the value of gifts made during a decedent's lifetime. Example: Assume "A" gifts \$900,000 to "B" prior to his death in 2019. If "A" dies in 2019, the amount of the estate tax that can be sheltered by the exclusion amount in 2019 is \$10,500,000 (calculated as \$11,400,000 - \$900,000).

Assets are included in the gross estate at the fair market value on the date of death of the decedent. The estate may elect to use an alternative valuation date of six months after the decedent's date of death. The estate is allowed deductions such as charitable contributions, debts and expenses accrued at death, and funeral costs. The estate may also deduct medical expenses and administrative expenses.