

## ESTATE, TRUSTS, AND BENEFICIARIES

### Phaseout and repeal of estate and generation-skipping transfer taxes (§2210(a))

Under the 2001 Act, in 2002, the 5% surtax (which phases out the benefit of the graduated rates) and the rates in excess of 50% are repealed. In addition, in 2002, the unified credit effective exemption amount (for both estate and gift tax purposes) is increased to \$1 million. In 2003, the estate and gift tax rates in excess of 49% are repealed. In 2004, the estate and gift tax rates in excess of 48% are repealed, and the unified credit effective exemption amount for estate tax purposes is increased to \$1.5 million. (The unified credit effective exemption amount for gift tax purposes remains at \$1 million as increased in 2002.) In addition, in 2004, the family-owned business deduction is repealed. In 2005, the estate and gift tax rates in excess of 47% are repealed. In 2006, the estate and gift tax rates in excess of 46% are repealed, and the unified credit effective exemption amount for estate tax purposes is increased to \$2 million. In 2007, the estate and gift tax rates in excess of 45% are repealed. In 2009, the unified credit effective exemption amount is increased to \$3.5 million. In 2010, the estate and generation-skipping transfer taxes are repealed.

#### Estate Tax Phase Out Chart

Year	Exclusion	Rate
2001 <sup>2a</sup>	\$675,000	55%
2002	\$1 million	50
2003	\$1 million	49
2004	\$1.5 million	48
2005	\$1.5 million	47
2006	\$2 million	46
2007	\$2 million	45
2008	\$2 million	45
2009	\$3.5 million	45
2010	0 <i>But no step up in basis</i>	n/a
2011 <sup>2</sup>	\$1 million	55

<sup>2</sup>Unless estate tax repeal is renewed.