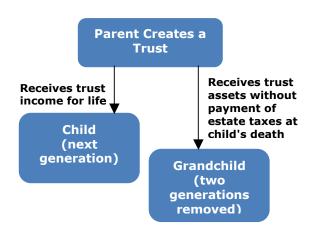
Generation-Skipping Transfer Tax

What Is a Generation Skipping Transfer Tax?

An objective of the federal government is to collect taxes on the transfer of property from one generation to the next generation. If, however, an estate owner is able to skip the members of the immediately lower next generation and transfer property to someone two or more generations removed, as illustrated to the right, the government is deprived of the estate tax that would have been collected on the trust assets at the death of members in the immediately lower next generation.



How Much Is the Generation-Skipping Transfer Tax (GSTT)?

A generation-skipping transfer in excess of available exemptions is subject to the maximum federal estate and gift tax rate of 40% in 2018. The GSTT is in addition to any federal estate or gift tax due and is payable by the transferor, the transferor's estate or by the trustee of a trust making a generation-skipping transfer.

What Exemptions to the GSTT Are Available?

- Annual gift tax exclusion: Gifts that qualify for the annual gift tax exclusion (\$15,000 in 2019) are exempt from the GSTT.
- **GSTT exemption:** Each person is entitled to a total exemption from the GSTT (\$10,000,000 as adjusted for inflation; \$11,400,000 in 2019), which can be allocated among gifts made during life and transfers made at death. The GSTT exemption is equal to the estate and gift tax unified credit equivalent.

The impact of the GSTT can be substantial in larger estates. Proper use of trusts and life insurance, however, can take maximum advantage of the GSTT exemption in order to minimize or avoid the generation-skipping transfer tax. Consult a qualified professional for more information on this complex area of the law.

VSA 2C2.11 ed. 01-19 Page 1 of 1 © VSA, LP The information, general principles and conclusions presented in this report are subject to local, state and federal laws and regulations, court cases and any revisions of same. While every care has been taken in the preparation of this report, VSA, L.P. is not engaged in providing legal, accounting, financial or other professional services. This report should not be used as a substitute for the professional advice of an attorney, accountant, or other qualified professional.