

# Unified Federal Estate and Gift Taxation

## What Is Unified Federal Estate and Gift Taxation?

The **federal estate tax** is a transfer tax imposed on the privilege of transferring property at death, while the **federal gift tax** is imposed on the transfer of property during the property owner's lifetime. Both taxes are levied on the **right to transfer property**, and not on the property itself. The amount of tax payable, however, is measured by the **value** of the transferred property.

### Elements of Unified Federal Estate and Gift Taxation

#### Unlimited Marital Deduction

The estate and gift tax marital deduction is **unlimited**, meaning that any amount can be transferred from one spouse to the other spouse, either during lifetime or at death, **without being subject to federal gift or estate tax**, so long as certain conditions are met.

In addition, a surviving spouse can elect to take advantage of any unused portion of the estate tax exclusion of his or her predeceased spouse. As a result, with this election and careful estate planning, married couples can effectively shield at least \$22 million plus from the federal estate and gift tax.

#### Federal Estate and Gift Tax Rates

The federal estate and gift tax rates consist of a single **unified** table that is **progressive** and applied to the **cumulative value** of all taxable lifetime gifts and to transfers at death. In 2019, the unified rates begin at 18% of a taxable gift or estate that does not exceed \$10,000 and increase to 40% of a taxable gift or estate that exceeds \$1,000,000.

#### Unified Credit

Once the tentative federal estate or gift tax is determined, it is then reduced by an estate and gift tax unified credit. This means that taxable estates with a value equal to or less than the unified credit equivalent will not be liable for federal estate tax. The same is true of cumulative lifetime taxable gifts which, however, will be brought back into the owner's estate for federal estate tax calculation purposes. This has the effect of allowing each individual to transfer property valued at an amount up to the unified credit equivalent, whether during life and/or at death, without incurring a tax liability.

For Decedents Dying or Gifts Made During	Top Tax Rate	Applicable Unified Credit	Exemption Equivalent
2018	40%	\$4,417,800	\$11,180,000
2019	40%	\$4,505,800	\$11,400,000

**NOTE:** The unified credit and exemption equivalent are adjusted for inflation each year.