

Federal Estate Tax Exemptions 1997 Through 2020

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Estate taxes affect fewer and fewer people. According to the Tax Policy Center, in 2018 only 1,900 of an estimated 4,000 relevant returns were taxable. This was less than 0.1% of the estimated 2.7 million people who died that year.

The percentage is so low because the federal government offers a generous exemption that allows estates under a certain value to pass property to heirs tax-free. The taxable threshold has increased consistently since 1997, while the estate tax rate has significantly decreased.

How the Exemption Works

The gross value of your estate must exceed the exemption amount for the year of your death before estate taxes become due. Even then, only the value over the exemption is taxable.

The exemption for 2020 is \$11.58 million, up from \$11.4 million in 2019. The first \$11.58 million is exempt, so if your estate is worth \$11.58 million or less, it would not be subject to federal estate tax at all.

The Exemption Is "Portable"

The government also allows you to transfer any unused portion of your exemption to your spouse if you are married. This is called "[portability](#)."

If your estate is worth \$6 million, you would have \$5.58 million of your exemption remaining, and you can give this to your spouse. This raises their exemption by that amount when they die.

Presumably, your spouse inherits most if not all of that \$6 million in property, so this allows them to pass that property to any heirs tax-free. The estate is also entitled to an exemption in the year your spouse dies, and any unused exemption can be added to that amount.

Your estate must file an estate tax return to let the Internal Revenue Service know that you are making this transfer, even though no taxes are due.

Recent Changes in Federal Estate Tax Laws

Estate taxes from 2010 through 2012 were based on the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act signed into law by President Obama on Dec. 17, 2010.

This law was only good for two years. It was supposed to "sunset" or expire on Dec. 31, 2012, so the [federal estate tax](#) exemption and rate would default on Jan. 1, 2013 to the numbers that were in effect in 2001 and 2002.

That did not happen. Congress passed the American Taxpayer Relief Act (ATRA) on Jan. 1, 2013, and President Obama signed it into law on Jan. 2, 2013. ATRA was intended to make permanent changes to the laws governing federal estate taxes, gift taxes, and [generation-skipping transfer taxes](#).

Fast forward to President Trump, who signed the Tax Cuts and Jobs Act (TCJA) in December 2017.

In addition to other sweeping tax law changes, the TCJA increased the estate tax exemption significantly.

The exemption was only \$5.49 million in 2017. The TCJA more than doubled that, increasing it to \$11.58 million for 2020.

Historical and Future Federal Estate Tax Exemptions and Rates

Here's how the estate tax has broken down over the years:

Year	Estate Tax Exemption	Top Estate Tax Rate
1997	\$600,000	55%
1998	\$625,000	55%
1999	\$650,000	55%
2000	\$675,000	55%
2001	\$675,000	55%
2002	\$1,000,000	50%
2003	\$1,000,000	49%
2004	\$1,500,000	48%
2005	\$1,500,000	47%

2006	\$2,000,000	46%
2007	\$2,000,000	45%
2008	\$2,000,000	45%
2009	\$3,500,000	45%
2010	\$5,000,000 or \$0	35% or 0%
2011	\$5,000,000	35%
2012	\$5,120,000	35%
2013	\$5,250,000	40%
2014	\$5,340,000	40%
2015	\$5,430,000	40%
2016	\$5,450,000	40%
2017	\$5,490,000	40%
2018	\$11,180,000	40%
2019	\$11,400,000	40%
2020	\$11,800,000	40%

The heirs of decedents who died in 2010 had a choice. They could use the \$5 million estate exemption at the 35% estate tax rate, or they could elect to use the \$0 estate tax exemption at a 0% tax rate, coupling the use of modified carryover basis rules.

The \$11.58 million exemption for 2020 will remain in place and may even increase slightly from year to year because it is regularly adjusted for inflation. But the TCJA is not forever. It is slated to expire after 2025, and if nothing changes, the exemption amount is slated to revert to its pre-2018 level.