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Calculating Estate Tax Liability During the Estate Tax Phasedown Period 2001-2009

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Summary

This report provides a basic explanation of how to calculate the federal estate tax liability for a taxable estate of any given size, using the schedule of marginal tax rates and the applicable credit amount for the year of death. The amount of any person's taxable estate that is free from tax is known formally as the applicable exclusion amount or informally as the exemption.

The applicable exclusion amount is not subtracted from the net taxable estate, as an exemption or deduction would be. Rather, it is converted into a tax credit equal to the tax that would be due on a taxable estate the size of the applicable exclusion amount. Unlike a deduction, which is worth more to taxpayers in higher marginal tax rate brackets, the applicable credit amount is worth the same regardless of the estate's top marginal tax brackets.

To determine the estate tax liability, first calculate the tentative tax that would be due on the entire taxable estate from the marginal tax rate table for the year of death. Then, subtract the applicable credit amount for the year of death from the tentative tax to determine the net tax due.

A numerical example is presented in the text and in a worksheet for a \$5 million taxable estate of a decedent dying in 2005. A blank worksheet is provided for readers to make their own calculations. For 2004 and 2005 the applicable exclusion amount — or estate tax exemption — is \$1.5 million. The corresponding applicable credit amount is \$555,800.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16, EGTRRA) gradually lowered the maximum estate tax rate and substantially raised the applicable exclusion amount — and thus the corresponding applicable credit amount — over the years 2002 through 2009. The tables in the appendix to this report present the marginal estate tax rates and the applicable exclusion amount for each year of this phasedown period. The maximum tax rate fell from 55% on a taxable estate over \$3 million (plus a 5% surtax from \$10 million to \$17 million) under prior law in 2001, to 50% on a taxable estate in excess of \$2.5 million in 2002. It was then scheduled to fall by one percentage point per year, down to 45% on amounts in excess of \$1.5 million in 2007-2009. The applicable exclusion amount rose from \$675,000 in 2001, to \$1 million in 2002 and 2003, and \$1.5 million in 2004 and 2005. It is scheduled to rise further to \$2 million in 2006 through 2008, and to \$3.5 million in 2009.

EGTRRA repealed the estate tax for decedents dying in 2010. However, all of the provisions under the act are scheduled to sunset on December 31, 2010. Unless changed beforehand, in 2011 the law will revert back to what it would have been had EGTRRA never been enacted. The first table in the appendix presents the marginal tax rates that applied in 2001 prior to EGTRRA and that would apply again in 2011 and beyond. However, in 2011 and after, the applicable exclusion amount would be \$1 million, in contrast to \$675,000 in 2001. This report will not be updated.

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Calculating Estate Tax Liability During the Estate Tax Phasedown Period 2001-2009

This report provides a basic explanation of how to calculate the federal estate tax liability on a taxable estate of any given size. It uses the schedule of marginal estate tax rates and the applicable exclusion amount, as provided in the Internal Revenue Code, and the corresponding applicable credit amount for the year of death.

The report does not address how to determine the value of the taxable estate except to note that deductions from the gross estate are permitted for funeral expenses, costs of administering the estate, debts and mortgages owed, charitable bequests, and bequests to the surviving spouse. Nor does the report explain the accompanying tax on gifts made during a person's lifetime or the generation-skipping transfer tax.¹

The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16, EGTRRA, pronounced egg-tra) phased out the federal estate tax over the years 2002-2009. EGTRRA lowered the top marginal estate tax rate gradually and raised the applicable exclusion amount (and consequently the corresponding applicable credit amount) in large increments over the phasedown period. EGTRRA repealed the estate tax for decedents dying in 2010. But the estate tax repeal, and all other provisions of EGTRRA, are scheduled to sunset on December 31, 2010.² Unless changed beforehand, in 2011 the law will revert to what it would have been had EGTRRA never been enacted.

Applicable Exclusion Amount and Applicable Credit Amount

It is common parlance to say that a certain amount of a decedent's assets are "free from," "excluded from," or "exempt from" the estate tax. However, the "applicable exclusion amount" is not subtracted from the value of the (net) taxable estate before applying the schedule of tax rates, as a true exemption or deduction

¹ For more information about these topics, see CRS Report RL30600, *Estate and Gift Taxes: Economic Issues*, by Jane G. Gravelle and Steven Maguire and CRS Report 95-416, *Federal Estate, Gift, and Generation, Skipping Taxes: A Description Of Current Law*, by John R. Luckey.

² For a fuller explanation of the estate tax provisions in EGTRRA, see CRS Report RL31061, *Estate and Gift Tax Law: Changes Under the Economic Growth and Tax Relief Reconciliation Act of 2001*, by Nonna A. Noto; and CRS Report RS20989, *Federal Estate, Gift, and Generation-Skipping Transfer Taxes: Modification, Phase Out and Repeal Under the Economic Growth And Tax Relief Reconciliation Act of 2001*, by John R. Luckey.

would be. Instead, the exclusion amount is converted into a tax credit known as the “applicable credit amount.” The credit is equal to the tax that would be due on a taxable estate the size of the applicable exclusion amount for the year of death. This tax credit is subtracted from the “tentative tax” liability on the entire taxable estate.

Unlike a deduction, which is worth more to taxpayers in higher marginal tax rate brackets, the applicable credit amount is worth the same dollar amount regardless of the estate’s top tax brackets. However, the credit is non-refundable. That is, it cannot reduce estate tax liability below zero. Consequently, taxable estates that are smaller than the applicable exclusion amount are not able to take full advantage of the available credit.

The applicable exclusion amount also serves as the tax filing threshold. An estate tax return must be filed if the *gross* value of the estate exceeds the applicable exclusion amount for the year of death. This filing requirement holds even if the estate’s taxable value falls below this amount after subtracting eligible deductions, such that no estate tax is owed.³

Table 1 presents the applicable exclusion amount and the corresponding applicable credit amount for each year from 2001 until 2011 and beyond. In 2001, prior to EGTRRA, the applicable exclusion amount was \$675,000. It was scheduled to rise gradually to \$1 million for 2006 and beyond, under provisions of the Taxpayer Relief Act of 1997 (P.L. 105-34, TRA). EGTRRA raised the applicable exclusion amount to \$1 million immediately for 2002 and 2003. It raised the amount further to \$1.5 million for 2004 and 2005, \$2 million for 2006-2008, and finally \$3.5 million for 2009. It repealed the estate tax for 2010 only. If the sunset provision of EGTRRA is not repealed, or the law is not otherwise changed beforehand, in 2011 estate tax law will return to what it would have been had EGTRRA not been enacted. Under the provisions of TRA of 1997, that would mean an applicable exclusion amount of \$1 million for the years 2011 and beyond, not \$675,000.

The applicable credit amount was calculated by CRS by using the estate tax rate schedule to determine the tentative tax on a taxable estate the size of the applicable exclusion amount. For the estates of decedents dying in 2004 or 2005, the applicable credit amount is \$555,800, corresponding to the estate tax on an applicable exclusion amount of \$1.5 million. For 2006-2008, the applicable credit amount is scheduled to rise to \$780,800, corresponding to the estate tax on an applicable exclusion amount of \$2 million. For 2009, the applicable credit amount is \$1,455,800, corresponding to the estate tax on \$3.5 million. For 2011 and beyond, the applicable credit amount is scheduled to return to \$345,800, the amount in effect for 2002-2003, corresponding to the estate tax on \$1 million (and not to the credit of \$220,550 in effect for 2001, corresponding to the estate tax on \$675,000).

³ Less than half of estate tax returns filed in 1998 through 2003 were taxable. For additional information, see CRS Report RL32768, *Estate and Gift Tax Revenues: Several Measurements*, by Nonna A. Noto.

Table 1. Applicable Exclusion Amount and Corresponding Applicable Credit Amount, 2001 to 2011 and Beyond

(In the case of estates of decedents dying, and gifts made, during) Calendar year	Applicable exclusion amount	Applicable credit amount (Equal to the tentative estate tax on the corresponding applicable exclusion amount)
2001	\$675,000	\$220,550
2002-2003	1,000,000	345,800
2004-2005	1,500,000	555,800
2006-2008	2,000,000	780,800
2009	3,500,000	1,455,800
2010	Estate tax repealed	
2011 and beyond	1,000,000	345,800

Sources: The applicable exclusion amount is from Section 2010(c) of the Internal Revenue Code. The applicable credit amount was calculated by CRS.

Marginal Tax Rates

Appendix A presents the graduated schedule of federal estate and gift tax rates for each year from 2001 through 2009. As an example here, we will use the rates that apply to a decedent dying in 2005, shown in **Table A.5**. Rising marginal tax rates apply to different portions of an estate. The statutory rates range from 18% for the taxable value of estates below \$10,000, up to 47% for taxable value over \$2 million.

In practice for 2005, however, the lowest marginal estate tax rate affecting the value of deductions or increments to the estate is not 18%, but 45%. This is the rate corresponding to taxable estate values in the range over \$1.5 million but not over \$2 million. The maximum marginal rate for 2005 is 47% on taxable estate values over \$2 million. The applicable exclusion amount for 2005 exempts from tax the first \$1.5 million in taxable estate per decedent. The exclusion is emphasized by gray shading over the first 13 rows of **Table A.5**. These rows encompass taxable estate values from \$0 to \$1.5 million, and the corresponding statutory marginal tax rates from 18% to 43%. An explanatory row is inserted in the table to indicate where the applicable exclusion amount for 2005 of \$1.5 million falls within the graduated rate table.

Calculating Estate Tax Liability

The steps involved in calculating the net estate tax liability on a taxable estate of any given size are laid out in the worksheet shown in **Tables 2 and 3**. **Table 2** contains a numerical example for an estate with a taxable value of \$5 million for a decedent dying in 2005. **Table 3** is a blank worksheet provided for readers to make their own calculations.

Two basic steps are involved in calculating the estate tax liability. The first is to calculate the “tentative tax” due on a taxable estate of the size in question, based on the tax rate schedule in the appropriate table in **Appendix A** for the year of death. The second is to subtract from the tentative tax the applicable credit amount for the year of the decedent’s death, shown in the last column of **Table 1**.

Calculating the tentative tax, in turn, includes four steps. The first is finding in the tax rate table the amount of tax due at the bottom of the bracket in which the estate value falls. The second is calculating the amount of estate in excess of the bottom of the bracket. The third is multiplying that excess amount by the marginal tax rate to determine the additional tax. The fourth is adding that additional tax to the tax due at the bottom of the bracket.

In **Table 2** the value of the taxable estate — \$5 million — is entered in line 1, column (A). To determine the tentative tax on the estate of a decedent dying in 2005, look down the first column of **Table A.5** and find the bracket that encompasses the taxable value of the estate. For an estate of \$5 million, that is the top bracket beginning with \$2 million. Column (c) of the last row of **Table A.5** shows that the tax on \$2 million is \$780,800. This equals the sum of the taxes due from all of the preceding brackets in the table. Enter this amount in line 2, column B.

Next, calculate the amount of the estate in excess of \$2 million, the bottom of the tax rate bracket. In column (A) subtract line 2 from line 1 and enter the difference of \$3 million on line 3. This \$3 million is taxed at a marginal rate of 47%, as shown in the last row of **Table A.5**. Enter 0.47 on line 4. Multiply line 4 (0.47) times line 3 (\$3,000,000). Enter the resulting additional tax of \$1,410,000 on line 5 in column (A) and again in column (B). In column (B), add the additional tax of \$1,410,000 on line 5 to the \$780,800 on line 2 and enter a total “tentative tax” of \$2,190,800 on the \$5 million estate on line 6.

Next, find the applicable credit amount corresponding to the year of the decedent’s death, in the last column of **Table 1**. For a person dying in 2005, the tax credit is \$555,800. Enter this amount on line 7. This corresponds to the tax that would be due on an estate of \$1.5 million, the applicable exclusion amount for 2005. Subtract the applicable credit amount of \$555,800 on line 7 from the tentative tax of \$2,190,800 on line 6 and enter the resulting net estate tax liability of \$1,635,000 on line 8. The tax of \$1,635,000 on a taxable estate of \$5 million represents an average tax rate of 33%.

Table 2. Sample Calculation of Estate Tax Liability for a Taxable Estate of \$5,000,000 of a Decedent Dying in 2005

Line	Instruction	(A) Estate value (\$) and marginal tax rate (%)	(B) Tax liability (\$)
1.	Enter value of taxable estate.	\$5,000,000	XX
2.	Find the bracket for this taxable value in the appropriate appendix Table A . Enter the bottom of the bracket from Table A , col. (a), in col. (A) here. Enter the tax on the bottom of the bracket from Table A , col. (c), in col. (B) here.	2,000,000	\$780,800
3.	Calculate amount of estate in excess of bottom of bracket: (line 1 - line 2) in col. (A).	3,000,000 (line 1 - line 2)	XX
4.	Enter the marginal tax rate for the bracket, from Table A , col. (d), in col. (A) here.	0.47	XX
5.	Calculate tax on amount in excess of bottom of bracket (line 3 x line 4) in col. (A). Enter again in col. (B).	1,410,000 (line 3 x line 4)	1,410,000 (copy)
6.	Calculate tentative tax before credit (line 2 + line 5) in col. (B).	XX	2,190,800 (line 2 + line 5)
7.	Enter applicable credit amount from Table 1 , for year of death, in col. (B).	XX	555,800 for 2005
8.	Calculate estate tax due (line 6 - line 7) in col. (B). Do not enter less than zero.	XX	1,635,000 (line 6 - line 7)

Notes: XX = intentionally left blank. Author's example in **bold**.

Table 3. Worksheet for Calculating Estate Tax Liability

(Enter numbers in blank cells, following the instructions. For an example, see **Table 2.**)

Line	Instruction	(A) Estate value (\$) and marginal tax rate (%)	(B) Tax liability (\$)
1.	Enter value of taxable estate.		XX
2.	Find the bracket for this taxable value in the appropriate appendix Table A . Enter the bottom of the bracket from Table A , col. (a), in col. (A) here. Enter the tax on the bottom of the bracket from Table A , col. (c), in col. (B) here.		
3.	Calculate amount of estate in excess of bottom of bracket: (line 1 - line 2) in col. (A).	(line 1 - line 2)	XX
4.	Enter the marginal tax rate for the bracket, from Table A , col. (d), in col. (A) here.		XX
5.	Calculate tax on amount in excess of bottom of bracket (line 3 x line 4) in col. (A). Enter again in col. (B). ^a	(line 3 x line 4)	(copy)
6.	Calculate tentative tax before credit (line 2 + line 5) in col. (B).	XX	(line 2 + line 5)
7.	Enter applicable credit amount from Table 1 , for year of death, in col. (B).	XX	
8.	Calculate estate tax due (line 6 - line 7) in col. (B). Do not enter less than zero.	XX	(line 6 - line 7)

Notes: XX = intentionally left blank.

a. On line 5, for 2001 and for 2011 and beyond, add a 5% surtax on the taxable value of estates over \$10 million up to \$17.184 million.

Cautionary Notes

Readers are warned that this report provides a highly simplified explanation of calculating the estate tax. Other tax credits can affect the final federal estate tax liability. Prior to EGTRRA an estate could claim a credit (subject to a limit) for state death taxes paid on the estate. EGTRRA phased out the state tax credit by 25 percentage points per year from 2002 through 2004. In 2005 the credit was replaced with a deduction. Credits may still be claimed for foreign death taxes and for federal estate taxes paid on property that was transferred to the decedent within the past 10 years (subject to phaseout limits).

From 1998 through 2003 estates with qualified family-owned business interests (QFOBI) could claim a special deduction of up to \$675,000 that could reduce the value of their applicable exclusion amount to \$625,000. EGTRRA repealed this special deduction as of 2004 when the applicable exclusion amount for all estates reached \$1.5 million. This surpassed the \$1.3 million in combined deduction and exclusion previously available only to estates with qualified family-owned business interests.

Under EGTRRA the estate and gift taxes remain unified through 2009. The amount of lifetime gifts that claim the gift tax exclusion is subject to a cumulative lifetime limit of \$1 million for 2002 and thereafter. The exclusion claimed for taxable lifetime gifts is subtracted to determine the applicable exclusion amount remaining available to a person's estate at death. The amount of taxable lifetime gifts is included in the base used to calculate the tentative estate tax (including gifts affects where the estate falls in the marginal tax rate schedule). However, the estate is then credited for taxes previously paid on taxable lifetime gift transfers. In 2010 the gift tax will remain in place when the estate tax is repealed. The lifetime applicable exclusion amount for gifts will remain at \$1 million. The maximum rate of tax will be 35% on cumulative gifts over \$500,000. Finally, a separate tax is levied on generation-skipping transfers through 2009.

Appendix A. Federal Estate Tax Rate Schedules for 2001 through 2009 and 2011 and Beyond

During the phasedown period for the estate tax, from 2002 through 2009, the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16, EGTRRA) gradually reduce the maximum estate tax rate and substantially raise the applicable exclusion amount. The tables in this appendix present the changes year-by-year. The graduated rates from 18% to 43% established under prior law continue to apply to estate values up to \$1.5 million. The maximum estate tax rate dropped from 55% on taxable estate values over \$3 million (plus a 5% surtax in a specified range over \$10 million) in 2001 under prior law, to 50% on taxable estates over \$2.5 million in 2002. The maximum tax rate continues to drop by one percentage point per year, down to 45% on taxable estate values over \$1.5 million in 2007-2009. Notes at the bottom of each table summarize any reduction in the maximum estate tax rate or increase in the applicable exclusion amount scheduled to take effect that year.

There is an explanatory row in each table indicating the applicable exclusion amount for that year of death. Taxable estate values up to the applicable exclusion amount are protected from tax by the unified tax credit for the year. The marginal tax rates that affect the value of deductions from, or increments to, the estate are those above the exclusion amount. The applicable exclusion amount of \$2 million for 2007-2008 and \$3.5 million for 2009 will fall within the top marginal tax rate bracket of 45%, which will begin at estate values over \$1.5 million.

The tax rates presented in **Table A.1** are the rates that were in effect prior to enactment of EGTRRA. They continued to apply to the estates of decedents who died in 2001. They are also the rates that will be reinstated in 2011 if EGTRRA is allowed to sunset on December 31, 2010. One notable difference is that the applicable exclusion amount will be \$1 million for 2011 and beyond, in contrast to \$675,000 in 2001, under a provision of the Taxpayer Relief Act of 1997 (P.L. 105-34).

The estate tax rate schedules for 2002-2009 presented in this appendix were created by CRS. The tax rate schedule under prior law, from Section 2001(c)(1) of the Internal Revenue Code, was adapted according to the information presented in the new Section 2001(c)(2). Section 2001(c)(2) sets forth the reduction in maximum estate tax rates scheduled by EGTRRA.

**Table A.1. Federal Estate Tax Rate Schedule for 2001 and
Again for 2011 and Beyond**

Taxable Estate		Tentative Tax	
(a) Bottom of bracket	(b) Top of bracket	(c) Tax on bottom of bracket	(d) Marginal tax rate on bracket
Over	But Not Over	Tax on amount in column (a)	Plus: Rate of tax on amount over bottom of bracket, in column (a), up to top of bracket, in column (b)
\$ 0	\$ 10,000	\$0 +	18% of such amount
10,000	20,000	1,800 +	20% of excess over \$10,000
20,000	40,000	3,800 +	22% of excess over 20,000
40,000	60,000	8,200 +	24% of excess over 40,000
60,000	80,000	13,000 +	26% of excess over 60,000
80,000	100,000	18,200 +	28% of excess over 80,000
100,000	150,000	23,800 +	30% of excess over 100,000
150,000	250,000	38,800 +	32% of excess over 150,000
250,000	500,000	70,800 +	34% of excess over 250,000
Applicable Exclusion Amount was \$675,000 for 2001			
500,000	750,000	155,800 +	37% of excess over 500,000
750,000	1,000,000	248,300 +	39% of excess over 750,000
Applicable Exclusion Amount will be \$1,000,000 for 2011 and beyond			
1,000,000	1,250,000	345,800 +	41% of excess over 1,000,000
1,250,000	1,500,000	448,300 +	43% of excess over 1,250,000
1,500,000	2,000,000	555,800 +	45% of excess over 1,500,000
2,000,000	2,500,000	780,800 +	49% of excess over 2,000,000
2,500,000	3,000,000	1,025,800 +	53% of excess over 2,500,000
over 3,000,000	—	1,290,800 +	55% of excess over 3,000,000
Special range for 5% surtax to phase out the benefit of graduated tax rates			
10,000,000	17,184,000	maximum surtax: 5% x \$7,184,000 = \$359,200	5% surtax means a 60% marginal tax rate in this range

Note: These are the tax rates that were in effect prior to enactment of the Economic Growth and Tax Relief Act of 2001 (P.L. 107-16, EGTRRA).

Table A.2. Federal Estate Tax Rate Schedule for 2002

Taxable Estate		Tentative Tax	
(a) Bottom of bracket	(b) Top of bracket	(c) Tax on bottom of bracket	(d) Marginal tax rate on bracket
Over	But Not Over	Tax on amount in column (a)	Plus: Rate of tax on amount over bottom of bracket, in column (a), up to top of bracket, in column (b)
\$ 0	\$ 10,000	\$0 +	18% of such amount
10,000	20,000	1,800 +	20% of excess over \$10,000
20,000	40,000	3,800 +	22% of excess over 20,000
40,000	60,000	8,200 +	24% of excess over 40,000
60,000	80,000	13,000 +	26% of excess over 60,000
80,000	100,000	18,200 +	28% of excess over 80,000
100,000	150,000	23,800 +	30% of excess over 100,000
150,000	250,000	38,800 +	32% of excess over 150,000
250,000	500,000	70,800 +	34% of excess over 250,000
500,000	750,000	155,800 +	37% of excess over 500,000
750,000	1,000,000	248,300 +	39% of excess over 750,000
Applicable Exclusion Amount was \$1 Million for 2002			
1,000,000	1,250,000	345,800 +	41% of excess over 1,000,000
1,250,000	1,500,000	448,300 +	43% of excess over 1,250,000
1,500,000	2,000,000	555,800 +	45% of excess over 1,500,000
2,000,000	2,500,000	780,800 +	49% of excess over 2,000,000
2,500,000	—	1,025,800 +	50% of excess over 2,500,000

Note: In 2002, the 5% surtax was repealed, as were tax rates in excess of 50%. In 2002, the maximum rate was 50% on taxable amounts over \$2.5 million. The applicable exclusion amount rose from \$675,000 in 2001 under prior law to \$1 million in 2002 under EGTRRA.

Table A.3. Federal Estate Tax Rate Schedule for 2003

Taxable Estate		Tentative Tax	
(a) Bottom of bracket	(b) Top of bracket	(c) Tax on bottom of bracket	(d) Marginal tax rate on bracket
Over	But Not Over	Tax on amount in column (a)	Plus: Rate of tax on amount over bottom of bracket, in column (a), up to top of bracket, in column (b)
\$ 0	\$ 10,000	\$0 +	18% of such amount
10,000	20,000	1,800 +	20% of excess over \$10,000
20,000	40,000	3,800 +	22% of excess over 20,000
40,000	60,000	8,200 +	24% of excess over 40,000
60,000	80,000	13,000 +	26% of excess over 60,000
80,000	100,000	18,200 +	28% of excess over 80,000
100,000	150,000	23,800 +	30% of excess over 100,000
150,000	250,000	38,800 +	32% of excess over 150,000
250,000	500,000	70,800 +	34% of excess over 250,000
500,000	750,000	155,800 +	37% of excess over 500,000
750,000	1,000,000	248,300 +	39% of excess over 750,000
Applicable Exclusion Amount was \$1 Million for 2003			
1,000,000	1,250,000	345,800 +	41% of excess over 1,000,000
1,250,000	1,500,000	448,300 +	43% of excess over 1,250,000
1,500,000	2,000,000	555,800 +	45% of excess over 1,500,000
2,000,000	—	780,800 +	49% of excess over 2,000,000

Note: In 2003, tax rates above 49% were repealed. The tax rate on taxable estate values over \$2.5 million fell from 50% to 49%. The applicable exclusion amount remained at \$1 million.

Table A.4. Federal Estate Tax Rate Schedule for 2004

Taxable Estate		Tentative Tax	
(a) Bottom of bracket	(b) Top of bracket	(c) Tax on bottom of bracket	(d) Marginal tax rate on bracket
Over	But Not Over	Tax on amount in column (a)	Plus: Rate of tax on amount over bottom of bracket, in column (a), up to top of bracket, in column (b)
\$ 0	\$ 10,000	\$0 +	18% of such amount
10,000	20,000	1,800 +	20% of excess over \$10,000
20,000	40,000	3,800 +	22% of excess over 20,000
40,000	60,000	8,200 +	24% of excess over 40,000
60,000	80,000	13,000 +	26% of excess over 60,000
80,000	100,000	18,200 +	28% of excess over 80,000
100,000	150,000	23,800 +	30% of excess over 100,000
150,000	250,000	38,800 +	32% of excess over 150,000
250,000	500,000	70,800 +	34% of excess over 250,000
500,000	750,000	155,800 +	37% of excess over 500,000
750,000	1,000,000	248,300 +	39% of excess over 750,000
1,000,000	1,250,000	345,800 +	41% of excess over 1,000,000
1,250,000	1,500,000	448,300 +	43% of excess over 1,250,000
Applicable Exclusion Amount was \$1.5 Million for 2004			
1,500,000	2,000,000	555,800 +	45% of excess over 1,500,000
2,000,000	—	780,800 +	48% of excess over 2,000,000

Note: In 2004, tax rates above 48% were repealed. The tax rate on taxable estate values over \$2 million fell from 49% to 48%. The applicable exclusion amount rose from \$1 million to \$1.5 million.

Table A.5. Federal Estate Tax Rate Schedule for 2005

Taxable Estate		Tentative Tax	
(a) Bottom of bracket	(b) Top of bracket	(c) Tax on bottom of bracket	(d) Marginal tax rate on bracket
Over	But Not Over	Tax on amount in column (a)	Plus: Rate of tax on amount over bottom of bracket, in column (a), up to top of bracket, in column (b)
\$ 0	\$ 10,000	\$0 +	18% of such amount
10,000	20,000	1,800 +	20% of excess over \$10,000
20,000	40,000	3,800 +	22% of excess over 20,000
40,000	60,000	8,200 +	24% of excess over 40,000
60,000	80,000	13,000 +	26% of excess over 60,000
80,000	100,000	18,200 +	28% of excess over 80,000
100,000	150,000	23,800 +	30% of excess over 100,000
150,000	250,000	38,800 +	32% of excess over 150,000
250,000	500,000	70,800 +	34% of excess over 250,000
500,000	750,000	155,800 +	37% of excess over 500,000
750,000	1,000,000	248,300 +	39% of excess over 750,000
1,000,000	1,250,000	345,800 +	41% of excess over 1,000,000
1,250,000	1,500,000	448,300 +	43% of excess over 1,250,000
Applicable Exclusion Amount is \$1.5 Million for 2005			
1,500,000	2,000,000	555,800 +	45% of excess over 1,500,000
2,000,000	—	780,800 +	47% of excess over 2,000,000

Note: In 2005, tax rates above 47% were repealed. The tax rate on taxable estate values over \$2 million fell from 48% to 47%. The applicable exclusion amount remained at \$1.5 million.

Table A.6. Federal Estate Tax Rate Schedule for 2006

Taxable Estate		Tentative Tax	
(a) Bottom of bracket	(b) Top of bracket	(c) Tax on bottom of bracket	(d) Marginal tax rate on bracket
Over	But Not Over	Tax on amount in column (a)	Plus: Rate of tax on amount over bottom of bracket, in column (a), up to top of bracket, in column (b)
\$ 0	\$ 10,000	\$0 +	18% of such amount
10,000	20,000	1,800 +	20% of excess over \$10,000
20,000	40,000	3,800 +	22% of excess over 20,000
40,000	60,000	8,200 +	24% of excess over 40,000
60,000	80,000	13,000 +	26% of excess over 60,000
80,000	100,000	18,200 +	28% of excess over 80,000
100,000	150,000	23,800 +	30% of excess over 100,000
150,000	250,000	38,800 +	32% of excess over 150,000
250,000	500,000	70,800 +	34% of excess over 250,000
500,000	750,000	155,800 +	37% of excess over 500,000
750,000	1,000,000	248,300 +	39% of excess over 750,000
1,000,000	1,250,000	345,800 +	41% of excess over 1,000,000
1,250,000	1,500,000	448,300 +	43% of excess over 1,250,000
1,500,000	2,000,000	555,800 +	45% of excess over 1,500,000
Applicable Exclusion Amount will be \$2 Million for 2006			
2,000,000	—	780,800 +	46% of excess over 2,000,000

Note: In 2006, tax rates above 46% will be repealed. The tax rate on estate values over \$2 million will fall from 47% to 46%. The applicable exclusion amount will rise from \$1.5 million to \$2 million.

Table A.7. Federal Estate Tax Rate Schedule for 2007 and 2008

Taxable Estate		Tentative Tax	
(a) Bottom of bracket	(b) Top of bracket	(c) Tax on bottom of bracket	(d) Marginal tax rate on bracket
Over	But Not Over	Tax on amount in column (a)	Plus: Rate of tax on amount over bottom of bracket, in column (a), up to top of bracket, in column (b)
\$ 0	\$ 10,000	\$0 +	18% of such amount
10,000	20,000	1,800 +	20% of excess over \$10,000
20,000	40,000	3,800 +	22% of excess over 20,000
40,000	60,000	8,200 +	24% of excess over 40,000
60,000	80,000	13,000 +	26% of excess over 60,000
80,000	100,000	18,200 +	28% of excess over 80,000
100,000	150,000	23,800 +	30% of excess over 100,000
150,000	250,000	38,800 +	32% of excess over 150,000
250,000	500,000	70,800 +	34% of excess over 250,000
500,000	750,000	155,800 +	37% of excess over 500,000
750,000	1,000,000	248,300 +	39% of excess over 750,000
1,000,000	1,250,000	345,800 +	41% of excess over 1,000,000
1,250,000	1,500,000	448,300 +	43% of excess over 1,250,000
1,500,000	—	555,800 +	45% of excess over 1,500,000
Applicable Exclusion Amount will be \$2 Million for 2007 and 2008			

Note: In 2007, tax rates above 45% will be repealed. The tax rate on taxable values over \$2 million will be lowered from 46% to 45%. The tax rate was already 45% on taxable estate values from \$1.5 million to \$2 million, under prior law. Thus, the tax rate will be 45% on taxable values over \$1.5 million. The applicable exclusion amount will remain at \$2 million. The law for 2008 will remain the same as for 2007.

Table A.8. Federal Estate Tax Rate Schedule for 2009

Taxable Estate		Tentative Tax	
(a) Bottom of bracket	(b) Top of bracket	(c) Tax on bottom of bracket	(d) Marginal tax rate on bracket
Over	But Not Over	Tax on amount in column (a)	Plus: Rate of tax on amount over bottom of bracket, in column (a), up to top of bracket, in column (b)
\$ 0	\$ 10,000	\$0 +	18% of such amount
10,000	20,000	1,800 +	20% of excess over \$10,000
20,000	40,000	3,800 +	22% of excess over 20,000
40,000	60,000	8,200 +	24% of excess over 40,000
60,000	80,000	13,000 +	26% of excess over 60,000
80,000	100,000	18,200 +	28% of excess over 80,000
100,000	150,000	23,800 +	30% of excess over 100,000
150,000	250,000	38,800 +	32% of excess over 150,000
250,000	500,000	70,800 +	34% of excess over 250,000
500,000	750,000	155,800 +	37% of excess over 500,000
750,000	1,000,000	248,300 +	39% of excess over 750,000
1,000,000	1,250,000	345,800 +	41% of excess over 1,000,000
1,250,000	1,500,000	448,300 +	43% of excess over 1,250,000
1,500,000	—	555,800 +	45% of excess over 1,500,000
Applicable Exclusion Amount will be \$3.5 Million for 2009			

Note: In 2009, the applicable exclusion amount will rise from \$2 million to \$3.5 million. There will be no additional reduction in the maximum tax rate.