

# **FACT SHEET**

## **on Economic Growth & Tax Relief Reconciliation Act**

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### **Commonly Referred to as The Economic Growth & Tax Relief Reconciliation Act of 2001 (EGTRRA)**

- Official Title as Introduced:  
*An act to provide for reconciliation pursuant to Section 104 of the concurrent resolution on the budget for fiscal year 2002*
- Introduced May 15, 2001
- Sponsored by Rep. Bill Thomas
- Signed into law Thursday, June 7, 2001

### **Summary of Key Estate, Gift & Generation Skipping Transfer (GST) Tax Provisions**

- Repeal of the estate and GST taxes, beginning in 2010.
- Prior to repeal, the top estate, gift and GST tax rates are phased down and the unified credit effective exemption amount for estate taxes is gradually increased to \$3.5 million, beginning in 2002.
- After repeal, the bill replaces step-up basis with carryover basis for transfer at death of assets in excess of \$1.3 million and spousal transfers in excess of \$4.3 million. To encourage compliance, the bill imposes reporting requirements on large gifts and bequests.
- Phases out the State Death Tax Credit beginning in 2002 and replaces it with a deduction for state death taxes paid beginning in 2005.
- The gift tax is retained, but the gift tax exemption amount is increased to \$1 million and the top rate is gradually reduced to the top individual income tax rate.
- Repeals the Qualified Family-Owned Business Interest (QFOBI) Deduction in 2004.
- GST tax rules are simplified.
- Expands the estate tax exclusion for conservation easements and installment payments by estates with closely held business interests.

### **Revenue Impact**

With full implementation, The Joint Committee on Taxation estimates the estate, gift & GST tax provisions of the bill will cost \$138 billion between 2001 and 2011. Cost projections are made over this 10-year period because the bill *sunset*s (or revokes) all tax provisions on December 31, 2010. The annual cost of estate tax repeal is estimated at more than \$50 billion.

### **Phase-Out & Repeal of Estate & GST Taxes Increase in Gift Tax Exemption**

- Beginning in 2002, the five-percent surtax and the rates in excess of 50 percent are repealed and the unified credit effective exemption amount (for both estate and gift tax purposes) is increased to \$1 million. State Death Tax Credit is reduced by 25 percent (from the present amount).
- In 2003, the rates in excess of 49 percent are repealed. State Death Tax Credit is reduced by 50 percent (from present amount).
- In 2004:
  - Rates in excess of 48 percent are repealed;

- The unified credit effective exemption amount for estate tax purposes is increased to \$1.5 million (gift tax exemption remains at \$1 million);
- The QFOBI is repealed; and
- State Death Tax Credit is reduced by 75 percent (from present amount).
- In 2005, the rates in excess of 47 percent are repealed. State Death Tax Credit is repealed and replaced with a deduction for death taxes actually paid to any state or the District of Columbia.
- In 2006, rates in excess of 46 percent are repealed and the unified credit effective exemption amount for estate tax purposes is increased to \$2 million.
- In 2007, rates in excess of 45 percent are repealed.
- In 2009, the unified credit exemption amount for estate tax purposes is increased to \$3.5 million.
- The estate and GST taxes are repealed in 2010.
- *Sunset*: December 31, 2010 – all changes are revoked and code restored to 2001 levels.

Year	Estate/GST Exemption	Top Estate Rate	Gift Tax Exemption	State Death Tax Credit	Other
2002	\$1 million	50%	\$1 million	75% of current amount	5% surtax repealed
2003	\$1 million	49%	\$1 million	50% of current amount	
2004	\$1.5 million	48%	\$1 million	25% of current amount	QFOBI repealed
2005	\$1.5 million	47%	\$1 million	Deduction for paid tax	
2006	\$2 million	46%	\$1 million	Deduction for paid tax	
2007	\$2 million	45%	\$1 million	Deduction for paid tax	
2008	\$2 million	45%	\$1 million	Deduction for paid tax	
2009	\$3.5 million	45%	\$1 million	Deduction for paid tax	
2010	Tax repealed		\$1 million 35% Gift Tax	NA	Carry-Over Basis on transfers >\$1.3 million

### **Carry-Over Basis**

Beginning in the year 2010 (after repeal of the estate tax), a “carry-over” basis regime will replace the current “stepped-up” basis regime. In other words, beneficiaries inheriting property transferred at death will no longer receive the date-of-death value of the property as their “basis” for capital gains tax purposes. Instead, they will receive a *carry-over* basis, or the same tax basis as the decedent ... with the following exceptions:

- Transfers of property up to \$4.3 million to a surviving spouse; and
- Estates with a total value of \$1.3 million or less.

### **Sunset Provision**

Sec. 901. Sunset Provisions of Act

*“All provisions of and amendments made by, this Act shall not apply to taxable, plan or limitation years beginning after December 31, 2010, or in the case of Title V, to estates of decedents dying, gifts made or generation skipping transfers, after December 31, 2010.”*

The Sunset Provision was required to comply with the Balanced Budget Act of 1974.