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Congress passed The Economic Growth and Tax Relief Reconciliation Act of 2001 on May 26, 2001 and the President signed the Act into law in early June. A brief analysis of the sweeping changes brought about by this legislation that relate to gift planning follows.

One highlight of the Act is lower individual income tax rates, which phase in over a number of years.* Another highlight is the phasing out of the estate tax and generation skipping tax. In 2002, the exemption equivalent amount that can be transferred over a lifetime without gift or estate tax will jump to \$1,000,000. After that, the estate tax exemption amount diverges from the gift tax exemption, with the estate tax exemption increasing ultimately to \$3,500,000 in 2009. In 2010 the estate tax is scheduled to be repealed. The increased gift tax exemption stops at \$1,000,000 and the gift tax continues even after the estate tax repeal. In addition, the state death tax credit will be phased out in steps culminating in its elimination in 2005.

*** The income tax rate reductions scheduled in EGTRRA were later accelerated under provisions in the [Jobs and Growth Tax Relief and Reconciliation Act of 2003 \(JGTRRA\)](#).**

Federal income tax tables

[Married filing jointly and surviving spouses](#)

[Married filing separately](#)

[Single individual](#)

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Federal transfer tax tables

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[Gift and estate tax rate schedules](#)

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[Generation skipping tax lifetime exemption](#)

A number of provisions that charities were rooting for didn't make the final cut, most notably the charitable IRA rollover, replacement of the 30% limit for appreciated property with a 50% limit, and deductions for non-itemizers. However, the [phase-outs of itemized deductions](#) and [personal exemptions](#) will gradually be removed from the code starting in 2006.

The Act contains a number of other provisions, many of which do not take effect for several years. In addition, the Act contains a sunset provision that would take away all of the tax reductions and restore the prior law in 2011 (for example, bringing back the just-repealed estate tax). So, this Act isn't the end of the process or even the beginning of the end, and perhaps not even the end of the beginning. It's fair to say that Congress will be revisiting these issues over and over into the next decade.

Individual Income Tax Rates*

Year	Income tax rate reductions			
	2000	28%	31%	36%
2001	27.5%	30.5%	35.5%	39.1%
2002 and 2003	27.0%	30.0%	35.0%	38.6%
2004 and 2005	26.0%	29.0%	34.0%	37.6%

2006 - 2010	25.0%	28.0%	33.0%	35.0%
2011 and thereafter	Sunset	Sunset	Sunset	Sunset

There is also a new 10% bracket within the 15% bracket for the first \$6,000 of income for single individuals, \$12,000 for married couples filing jointly. A byproduct of these rate cuts give most taxpayers a one-time refund in 2001 of \$300 for single filers and \$600 for married couples filing jointly.

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Estate and Gift Tax Rates and Unified Credit Exemption Amounts

Calendar Year	Estate and GST tax death-time transfer exemption	Gift tax lifetime transfer exemption	Highest estate and gift tax rates
2001	\$675,000	\$675,000	50%
2002	\$1 million	\$1 million	49%
2003	\$1 million	\$1 million	48%
2004	\$1.5 million	\$1 million	47%

2005	\$1.5 million	\$1 million	46%
2006	\$2 million	\$1 million	45%
2007	\$2 million	\$1 million	45%
2008	\$2 million	\$1 million	45%
2009	\$3.5 million	\$1 million	45%
2010	n/a (taxes repealed)	\$1 million (not repealed)	35% (gift tax only)
2011	Sunset	Sunset	Sunset

* For 2010, the gift tax rate will equal the top individual income tax rate under the Act, which is 35%.

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