

Estate Taxes After ATRA

By Benjamin Harris

The American Taxpayer Relief Act of 2012 (ATRA) made estate tax law permanent following more than a decade of constant change. In 2012, estates paid a 35 percent tax after a \$5.12 million per-person exemption. These guidelines were scheduled to revert this year to 2001 tax law with a \$1 million exemption and a 55 percent top tax rate. ATRA prevented this change and instead indexed the 2011 exemption for inflation — \$5.25 million in 2013 — and set a 40 percent tax rate. The Joint Committee on Taxation estimates that after ATRA the estate tax will collect \$369 billion less revenue over the next decade than if Congress had retained the 2001 law.

The estate tax remains one of the most progressive parts of the tax code. In 2013, more than 99.8 percent of estates will owe no tax. Among the 3,780 estates that will pay the tax, the 810 largest — those with gross assets exceeding \$20 million — will account for nearly three-fourths of the total estate tax revenue (see table). About one-fifth of the burden will fall on estates valued between \$10 million and \$20 million, while just 7 percent will come from estates worth less than \$10 million.

Because of its exemption, the estate tax claims a bigger percentage of larger estates. Taxable estates with gross assets less than \$10 million will pay an average tax rate of 7.7 percent, while estates with gross assets of between \$10 million and \$20 million will pay 15.8 percent on average. Estates valued at more than \$20 million will pay an average rate of 18.8 percent.

Estate Tax Liability by Size of Gross Estate, 2013^a
(taxable returns)

Size of Gross Estate (millions of 2013 dollars)	Returns		Estate Tax Liability			Average Tax Rate ^b
	Number	Percent of Total	Amount (dollars in millions)	Average (dollars in thousands)	Percent of Total	
Less than \$5	0	0.0	\$0	\$0	0.0	0.0
\$5 - \$10	1,700	45.1	\$950	\$560	6.7	7.7
\$10 - \$20	1,270	33.6	\$2,810	\$2,210	19.8	15.8
More than \$20	810	21.3	\$10,440	\$12,940	73.5	18.8
All	3,780	100.0	\$14,200	\$3,760	100.0	16.6

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0412-8).
^aEstimates are for estates of people dying in calendar year 2013. The estate tax in 2013 imposes a 40 percent tax after a \$5.25 million exemption.
^bAverage net estate tax liability as a percentage of average gross estate.