

## History of the Federal Estate Tax

The history of estate taxes in America has been a long and winding road. Careful estate planning is still one of the most important ways to manage and protect your assets for your heirs.

The Stamp Act of 1797 was the first federal estate tax in the United States and was passed to help fund an undeclared war with France; it was repealed in 1802. The Revenue Act of 1862 reinstated the estate tax in order to fund the Civil War; it was abolished in 1870. To finance the Spanish American War, the War Revenue Act of 1898 was passed, and subsequently abolished in 1902. Due to the costs of World War I, the Revenue Act of 1916 reinstated an estate tax that, in some form or other, has been in effect ever since.

The Economic Growth and Tax Relief Reconciliation Act of 2001 gradually increased the federal estate tax exemption, until finally repealing the federal estate tax altogether for the 2010 tax year only. The Tax Relief Act of 2010 reinstated the federal estate tax with a \$5 million exemption, indexing the exemption for inflation after 2011. The provisions of the Tax Relief Act of 2010 expired on December 31, 2012.

The American Taxpayer Relief Act of 2012 increased the federal estate tax rate from 35 percent to 40 percent, but left in place the higher exemption level (\$5.43 million in 2015); both provisions are now permanent. It also left in place the “portability” of any unused exemption between spouses.

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