

## 'Permanent' Transfer Tax Relief At Last

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For the first time in more than a decade, Congress has enacted a permanent set of estate, gift and generation-skipping transfer tax rules. While Congress can always change the law, there is no automatic "sunset" or change built into the current law.

In a nutshell, the new transfer tax law provides:

- \$5 million exemption for gift, estate and generation-skipping tax, adjusted for inflation after 2011. The 2013 exemption amount is \$5,250,000.
- Exemption is applied both to lifetime gifts and to transfers at death, and also applies for generation-skipping transfers.
- Marginal tax rate on transfers above the exemption amount is 40%.
- Portability is made permanent. This allows a surviving spouse to use the "unused" gift and estate tax exemption (but not generation-skipping tax exemption) of the first spouse to die for the survivor's lifetime gifts and transfers at death, with certain restrictions.
- Several helpful generation-skipping tax technical provisions were made permanent.

Other items to consider:

- The gift tax annual exclusion for 2013 is \$14,000, up from \$13,000, and is increased to \$143,000 for gifts to a non-U.S. citizen spouse.
- Direct payment of tuition and medical expenses remains gift-tax free in unlimited amounts.
- The new, higher income tax rates also apply to trusts, which will focus increased attention on income tax planning for trusts.

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