

**Table T19-0046**  
**An Inheritance Tax Proposal with Different Lifetime Exemptions and Tax Rates with the Current-law Estate Tax Repealed**  
**Baseline: Current Law**  
**Impact on Tax Revenue (\$ billions), 2022-30 <sup>1</sup>**

	Year									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2022-30
<b>Calendar Year Estimate</b>										
<b>\$1 million lifetime exemption with the tax rate applied to taxable inheritances and gifts equal to the larger of:</b>										
(a) 30% or marginal income tax rate plus 10%	47.2	52.0	55.4	54.5	43.0	50.4	54.1	61.6	66.3	484.5
(b) 35% or marginal income tax rate plus 15%	55.7	60.7	64.1	62.9	51.5	58.9	63.3	71.5	76.5	565.0
(c) 40% or marginal income tax rate plus 20%	64.0	69.0	72.8	71.5	59.9	67.7	72.6	81.5	86.6	645.5
<b>\$1.5 million lifetime exemption with the tax rate applied to taxable inheritances and gifts equal to the larger of:</b>										
(a) 30% or marginal income tax rate plus 10%	28.8	30.2	31.9	29.9	17.3	23.3	25.4	31.7	34.0	252.6
(b) 35% or marginal income tax rate plus 15%	34.6	36.1	37.9	35.7	23.0	29.1	31.6	38.5	40.9	307.4
(c) 40% or marginal income tax rate plus 20%	40.2	42.0	43.8	41.5	28.9	35.0	37.9	45.3	47.8	362.3
<b>\$2 million lifetime exemption with the tax rate applied to taxable inheritances and gifts equal to the larger of:</b>										
(a) 30% or marginal income tax rate plus 10%	19.4	20.2	21.0	18.4	4.9	10.5	11.5	17.0	18.6	141.4
(b) 35% or marginal income tax rate plus 15%	24.0	24.8	25.7	22.8	9.3	15.0	16.2	22.3	23.9	184.1
(c) 40% or marginal income tax rate plus 20%	28.5	29.5	30.4	27.2	13.9	19.5	21.0	27.6	29.3	226.8
<b>Memo</b>										
<b>Repealing the current law estate and gift taxes <sup>2</sup></b>	-21.2	-22.5	-23.3	-24.8	-42.6	-39.1	-43.4	-45.0	-47.5	-309.5

**Source:** Urban-Brookings Microsimulation Model (version 0718-1).

(1) Calendar years. Baseline is the law in place for each year as of June 24, 2019. The proposal would repeal the current law estate and gift taxes and introduce inheritances and gift taxes effective on January 1, 2022. A \$1 million lifetime exemption of inheritances and gifts and a \$16,000 annual exemption for gifts (both indexed by chained CPI starting in 2022) per individual would be allowed. To calculate the tax rate applied to taxable inheritances and gifts, the taxpayer would first add one-tenth of the taxable inheritances and gifts to AGI in the year these inheritances and gifts were received and calculate the marginal income tax rate at that level of AGI. The tax rate applied to the taxable inheritances and gifts would then be the larger of 35% or the taxpayers' marginal income tax rate plus 15%. The inheritance and gift tax liability would be calculated as a product of this derived tax rate and all taxable inheritances and gifts. In addition, the proposal would repeal step-up in basis and require heirs to assume the current basis of all assets received through inheritances and gifts (carryover basis).

Alternative proposals would have a similar structure but with a higher level of lifetime exemption of inheritances and gifts (\$1.5 million or \$2 million), a different formula to calculate the tax rate applied to taxable inheritance and gifts (the larger of 30% or the taxpayer's marginal income tax rate plus 10%, or the larger of 40% or the taxpayer's marginal income tax rate plus 20%), or both.

(2) Calendar year projection from CBO fiscal year estimate of repealing the current-law estate and gift taxes.