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Intergenerational transfers under an Uncertain Estate Tax

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Abstract

The paper examines the pattern of lifetime transfers during a period of uncertainty in estate taxation where the tax was set to expire, reintroduced, and its reach curtailed. More specifically, it examines lifetime gifts made during the past decade, with a focus on the size and frequency of transfers over the period 2002-2012. Using data from gift tax returns, reported lifetime taxable gifts over the years 2002-2009 were in the range of $20 to $30 billion per year. But, by 2012, these taxable gifts (which are in excess of the annual exclusion) increased to an unprecedented annual level of $440 billion. There is strong evidence of bunching at the exemption levels; at $1 million for the years 2002-2010 and $5 million for the years 2011 and 2012, respectively. These transfers represent significant acceleration in bequests, and may very well have serious implications for future tax revenues, as well as the observed distribution of income and wealth. Equally important, the findings also provide further support for the bequest motive as these lifetime transfers cannot be accidental in nature.

Keywords: lifetime gifts, estate tax, gift tax
JEL: G11, H24

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1. Introduction

The federal unified transfer tax system, more commonly referred to as "the estate tax", underwent dramatic changes over the past decade. More specifically, the tax, which consists of the estate tax, the gift tax, and the generation skipping transfer tax (GSTT), changed unexpectedly and extended different tax treatments to gifts and bequests.

Temporary legislation enacted in 2001 called for the gradual phase out of the estate tax and its repeal in 2010, but with its full re-introduction in 2011. In December 2010, the expected law of 2011 was temporarily changed for a period of two years. And once again, the law was changed unexpectedly on January 1st, 2013, but with these changes made permanent this time. As the estate tax changed, so did the GSTT.

Unlike the changes the estate tax underwent, the gift tax was not slated for repeal by the 2001 legislation. At the time of its enactment, the gift tax was recognized as critical to protecting the income tax base. But the last minute legislative changes in the estate and gift taxes in 2010 and 2013 created much certainty about future gift as well as estate taxes.

It should not come as a surprise that these changes, mostly unexpected as they were enacted very close to the sunset of temporary provisions, were likely to influence the pattern of transfers. Judging from the literature on the role of taxes in shaping lifetime gifts, one would expect a dramatic response to these changes, something policy makers were well aware of. Indeed, EGTRRA enacted in 2001, while providing for estate tax repeal, deliberately kept the gift tax exemption at $1M to minimize income tax avoidance by preempting large gifts.

Despite the expectations that the changes, expected or otherwise, were likely to have profound effects on lifetime gifts, the question of how a big a change in the pattern of transfers they have created has yet to be answered. Given that we are close to a year from when gift tax returns for transfers made in 2012 (with extensions) should have been filed, we now have adequate information to assess the impact of recently enacted legislations on the size and timing of gifts.

This paper employs data on the universe of gift tax returns filed for gifts made in 2002 through 2012. The emerging pattern points to a seismic shift in the timing of transfers. Whereas $20 to $30 billion in taxable gifts were transferred annually during the 2002-2009 period, these gifts grew rapidly over the years 2010-2012. In 2012 alone, taxable gifts stood at a historic $440 billion.

This observed dramatic response in gifts to the unprecedented uncertainty in the tax system has important policy implications, in particular for the estate and income tax revenues in the future. They certainly represent a sizeable acceleration in bequests, and a considerable shrinkage in the estate tax base. They may very well have also shifted taxable income from high to low tax brackets, or at the very least shifted the realization of this income for another generation. The size of this impact, of course, will very much depend on whether theses change are temporary or permanent in nature.

The paper is organized as follows. Section 2 provides a summary of the tax law changes. Section 3 reviews the relevant literature on lifetime gifts and the influence of the tax system in shaping the timing of these transfers. Section 4 describes the data sources, and presents evidence on the shift in timing of gifts during these turbulent years. Section 5 concludes.

2. Background

In 2001, the maximum estate tax rate was 55 percent. An exemption of $675,000 (by virtue of the unified credit) applied which was scheduled to rise to $1 million by 2006, as provided for by the Tax Relief Act of 1997. An additional tax, the GSTT, applied at the maximum estate tax rate of 0.55 to generation skipping transfers, after an exemption of $1 million per donor. Gift taxes applied to lifetime transfers and shared a common tax rate schedules and the $1 million exemption. The gift tax applied after an annual exclusion of $10,000, indexed for inflation as of 1998; it was set to $11,000 in 2002 through 2005, to $12,000 in 2006 through 2008, to $13,000 in 2009 through 2012, and to $14,000 in 2013. The first column of Tables 2A and 2B provide summaries of the features of the estate and gift taxes, as modified by the Tax Relief Act of 1997 (TRA97).

Under temporary legislation enacted in 2001, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the reach of estate and gift taxes was curtailed.[1] Beginning with 2002, it phased-in tax rate reductions in steps, which brought down the maximum tax rate to 45 percent and expanded the size of the exempted estate to $3.5M in 2009; the estate tax was fully repealed in 2010. With the repeal in the estate tax, the GSTT was also effectively repealed as the tax rate is pegged to the maximum estate tax rate. At the expiration of this temporary legislation, and in 2011, the estate tax and GSTT were to be re-instated to reflect the law in effect prior to the enactment of the changes in 2001. Column 3 of Table 1A provides a summary of the features of the estate tax under EGTTRA.

The changes in the gift tax were much more different under EGTRRA. The size of the exempted lifetime gifts was expanded but only to $1M as of 2002. The maximum tax rate was also reduced in steps to 0.45 in 2009, and to 0.35 in 2010 the year the estate tax is repealed. Because of the repeal of the estate tax, the GSTT no longer applied to direct gifts. In 2011, and at the expiration of EGTRRA, the gift tax as in the case of the estate tax is reset to prior law. Colum 3 of 1B provides a summary of the features of the gift tax under EGTRRA.

However, and under yet another temporary legislation enacted on December 17, 2010, the Tax Relief, Unemployment Insurance Authorization, and Job Creation Act of 2010 (TRUIAJC) modified and extended the temporary provisions in EGTRRA for two more years through 2012, a fortnight before its expiration. It once again unified the estate and gift taxes, with a maximum

[1] It also replaced the credit for state death taxes with a deduction.

tax rate of 0.35, and a common exemption of $5 million (indexed). As with the previous legislation, the tax reverts to the law in effect in 2001 by 2013. Column 4 of Tables 1A and 1B provide a summary of the estate and gift tax features under TRUIAJC.

One day after the expiration, the American Taxpayer Relief Act of 2012 (ATRA), enacted on January 1, 2013, made the provisions in TRUIAJC permanent, but raised the maximum estate and gift tax rates of 40 percent. The last columns in Tables 1A and 1B provide a summary of the features of ATRA, or current law.

Reflecting on the changes in tax rates and exempted size of estate and gifts, estate and gift tax revenues fluctuated over the years. Figure 1 reports the tax revenue streams from the estate and gift taxes. Fiscal year 2011, which roughly represents transfers in 2010, is quite revealing as gift tax revenues surpassed estate tax revenues for the first and only time in the history of the estate tax. Gift tax revenues peaked (nominal record) in this year as a small number of large donors seem to have accelerated gifts into 2010 in anticipation of the higher tax rate in 2011, which did not materialize.[2]

3. Review of literature on taxes and lifetime gifts

A small body of the literature has addressed the impact of estate and gift taxation on the timing of lifetime transfers. Lifetime gifts and bequests are taxed differently, and this differential in treatment may influence how donors allocate their transfers between these two modes (Joulfaian, 2005). For instance, because gifts are taxed on a tax exclusive basis (which reduces the effective tax rate), the higher estate tax rate creates incentives for making lifetime gifts. More specifically, the price of making a gift of cash is 1+g, where g is the gift tax rate. In contrast, the price of a bequest of cash is 1/(1-e), where e is the estate tax rate. Consider a

[2] A gift tax rate of 0.35 in 2010 vs 0.55 in 2011, or roughly in case of generation skipping transfers, 0.35 vs 0.55+0.55(1-0.55).

parent wishing to transfer $1 to his children. At an estate tax rate (e) of 0.55, the parent would have to save and forgo $2.22 to transfer $1 to his or her heir (and $1.22 in taxes). In contrast, and at a gift tax rate (g) of 0.55, the parent would have to give up $1.55 for every $1 in gifts received by the recipient making gifts some 30 percent less costly than bequests.[3]

Even when parents and donors plan to make their transfers only during life, they may time their gifts so as to take advantage of changes in tax regimes. For instance, and in anticipation of an increase in the federal gift tax rates in 1977, individuals accelerated theirs transfers into 1976 (fiscal year 1977). A similar pattern of behavior is observed in New York, which repealed its gift tax effective in 2000. In 1999, the maximum combined state and federal gift tax rate was 71 percent; 55 federal and 16 for the state. In 2000, and with repeal of the state gift tax, this declined to 55 percent. In anticipation of this change, gift tax receipts in fiscal year 2000 (from transfers made in calendar year 1999) declined by 60 percent when compared to prior year receipts. Using time series data on gift tax collections, Joulfaian (2004) examines how taxes affect the timing of lifetime transfers and illustrates how trends in gifts by the wealthy dramatically respond to changes in the gift tax rates, particularly in the short run.

Similar results are reported in Joulfaian and McGarry (2004) who use estate tax returns of decedents in 1992 linked to all lifetime gift tax returns ever filed. As with the time series evidence, the findings suggest that gifts are highly elastic with respect to gift tax rates, and provide further support for tax minimization as an important consideration in the timing of intergenerational transfers.

In addition to the findings on gift tax rates, or the difference in estate and gift tax rates, above, Bernheim, Lemke, and Scholz (2001) report that increases in the exemptions, such as those introduced by TRA97, slow down gifts. McGarry (2000) and Page (2003) find that the estate tax

[3] When gifts are made within three years of the date of death, the gift tax itself becomes subject to the estate tax. In addition to the estate and gift taxes, capital gains taxes may also influence the choice between gifts and bequests (Joulfaian, 2005).

stimulates lifetime gifts. Notwithstanding the stimulating effects of the estate and gift taxes, McGarry (2000) and Poterba (2001) find that the gifts made by the wealthy are well below the optimal level to minimize taxes.

While the literature is a good guide on the potential effects of changes in estate and gif taxation, the uncertain nature of the changes introduced in recent years makes it rather difficult to gauge precisely what effect they will have on transfers. Will the 2010 estate and gift tax regimes with zero estate tax and 35 percent gift tax rate (and $1 million exemption), or the estate gift tax regime of 2012 with $5 million exemption and maximum tax rate of 35 percent, revert to the 2001 law with $1 million exemption and 55 percent tax rate? If so, should individuals plan accordingly? And if they do plan for the higher rates, and not gamble that the lower rates will prevail, how big a response should we observe in lifetime gifts?

4. Evidence on the effects

To examine how the pattern of lifetime gifts has been shaped by the uncertainty in the evolving estate and gift tax regimes, I employ data from gift tax returns for tax years 2002 through 2012, leading to expiration of ATRA on December 31, 2012.

4.1 Data Source on Taxable Gifts

Gifts to any individual in excess of an annual exclusion ($14,000 in 2013) are required to be reported on gift tax returns (Form 709). Each donor is required to report all gifts and file a separate tax return regardless of marital status; husband and wife may file a joint return only if their combined split gifts are not greater than the annual exclusion. Gifts to spouses as well as to charities are also reported on tax returns.[4]

[4] The Tax Relief Act of 1997 eliminated the reporting requirement of gifts to charities when no other gifts are made.

Lifetime transfers by a donor in excess of the annual exclusion, and transfers to spouses and charities, are often labelled as *taxable gifts*. These, however, do not become truly taxable unless they exceed the exemption available by virtue of the unified credit. As an example, and in 2011, gifts in excess of $5,000,000 are taxable (at 35 percent). However, when this exemption, or more correctly the unified credit is applied to taxable gifts, it is no longer available to shelter bequests from estate taxation.

Information on taxable gifts are obtained from the universe of gift tax returns filed for tax years 2002-2012, and processed over the period 2003 through July 2014. In other words, the size of reported transfers made through 2012 is known regardless of when and how late a tax return is filed (through July 2014). However, a number of data limitations are encountered. Information on the day and month of the year a transfer is made is not known. And consequently we cannot explore whether gifts were made before or after December 17, 2010 when TRUIAJC was enacted. Also the raw data are unedited and not corrected for transcription errors, or errors in reporting information by the taxpayer; it required a considerable amount of scrubbing. On average about 250,000 tax returns were filed per year over the past decade.

4.2 Trends in reported gifts

Table 1A reports the number of gift tax returns filed for tax years (when gifts were made) 2002-2012. It also reports the number of returns for 4 classes of taxable gifts: (1) zero taxable gifts, or gifts up to the annual exclusion, (2) gifts up to $1 million, (3) gifts over $1 million but no greater than $5 million, and (4) gifts over $5 million.[5]

[5] Gifts over $5 million but not greater than $5.12 million in 2012, are treated as if they were $5 million for classification and tabulation purposes; the exemption in 2012 is equal to that in 2011 (i.e. $5 million) indexed for inflation.

The number of gift tax returns with taxable gifts declined steadily over the years 2002 through 2010. In part, this can be explained by the expanding annual exclusion, which is indexed for inflation. It is also further explained by the decline in the number of transfers under one million.

In 2010, there is an increase in the number of returns for those with gifts in excess of $1 million, most likely those who would have faced higher tax rates had the higher estate and gift tax rates kicked in 2011. But the figures reported this group in 2011 and more specifically 2012 are far more impressive. There were some 125,000 tax returns in 2012 for donors with gifts in excess of $1 million but no greater than $5 million (sheltered by the $5 million indexed exemption, compared to an expected $1 million in 2013), or about 100 fold the annual figures observed for much of the previous decade. Similarly, the number of returns with gifts in excess of $5 million was larger than the historic trend as these donors may have been hoping to take advantage of the $5 million exemption (indexed, and compared to an expected $1 million in 2013) and the 0.35 tax rate (expected 0.55 in 2013).

Moving to Table 1B, the figures on the amount of taxable gifts reported are even more stunning. Gifts in all non-zero categories grew rapidly over the 2010-2012 years. But the growth by 2012 for gifts between $1 and $5 million is nothing short than seismic. Some $370 billion in taxable gifts in this category were made in 2012, where the annual gifts in each of the years 2002 through 2009 were under $3 billion. These gifts are sheltered by the $5 million exemption, and will no longer be reported on the estate tax return of the donor nor will the return on such assets be reflected on their income tax returns.

Even the size of gifts in excess of $5 million in 2010, as well as 2012, is impressive. These gifts are most definitely taxable at the tax rate of 0.35 on the excess over $5 million. The first $5 million is generally sheltered from taxation, and the additional amounts taxable at the rate of 0.35 instead of the anticipated rate of 0.55. Overall, the total taxable gifts of $440 billion are historic when compared to past lifetime gifts. They are also historic when compared to the amount of bequests reported on estate tax returns.

4.3 Bunching at the exemption level

While the above documents historical growth in gifts, it does not fully address how the size of the exempted gifts shaped this growth. Did individual make gifts up to the amount of the statutory exemption and stop? Did they make gifts in the exact amount of the exemption and no more? To address these additional questions, Figures 3A-D illustrate how gifts are bunched around the exemption amount.

In 2007, when the exemption applied to gifts was $1 million (same as 2002 through 2010), Figure 3A points to significant bunching at the $1 million with much fewer gifts over this limit, consistent with the figures in Table 2A. Not surprisingly, the pattern observed for 2010 is similar as the exemption limits are identical.[6]

The bunching pattern in 2011 is quite interesting. While the exemption limit was $5 million in 2011, bunching is observed most prominently at the $4 million level and not at the $5 million. Given that the exemption applies to lifetime cumulative gifts, this pattern should not be surprising. The $4 million in gifts made in 2011, added to the $1 million potentially transferred in prior years where the exemption was set at $1 million, suggests bunching around $5 million for some donors.

The $5 million exemption, indexed for inflation, was set to (and did) expire at the end of 2012 and revert to the $1 million exemption of the 2001 law. As the figures in Table 2 make abundantly clear, the expanded exemption induced more giving by more individuals. While individuals gave more, very few gave more than the indexed exemption of $5,120,000. Indeed,

[6] This repeats for the years not shown, and where the gift tax exemption is $1 million.

there is considerable and unprecedented bunching at this level as revealed in Figure 3D, as well as to a lesser extent at the unindexed $5 million level .

4.4 Trends in States: a tale of two states

In addition to the response at the national level, the pattern of lifetime gifts may vary by state as different states tax transfers at different rates. Two states are considered for comparison purposes: California and New York. The choice reflects (1) the fact that they are two of the largest states, and (2) they have different estate taxes. California, for instance, has no estate tax where whereas New York levies an estate tax with a maximum rate of 16 percent.

In 2010, a Californian would have faced zero state and federal estate tax rates, while a New Yorker would have face a maximum state tax rate of 0.16. Under the expected law in 2011, same as 2001 law, a Californian would have faced a maximum federal tax rate of 0.55, while a New Yorker would also have paid a maximum estate tax rate of 0.55, with 0.39 allocated to the federal government after a credit for state death taxes at the rate of 0.16.

Similarly, in 2012, a Californian would have faced a maximum federal tax rate of 0.35 with zero state tax rate, while a New Yorker would have faced a maximum state tax rate of 0.16 and a federal tax rate of 0.35*(1-0.16); state taxes became deductible under EGTRRA and TRUIAJC replacing the credit for state death taxes. Under the expected 2013 federal law, again same as 2001 law, both would have faced a maximum tax rate of 0.55 (combined state and federal).

Tables 3A-B provide trends for gifts by Californians, and replicate the earlier figures for the nation. Tables 4A-B provide similar figures for New Yorkers. Donors in both states exhibit the same pattern observed for the country; gifts and the number of donors are relatively stable over the years 2002-2009. This is followed by acceleration in the size and frequency of gifts witnessed in 2010, and an explosion in gifts by 2012. But because of the lack of data on the wealth of donors, it is difficult to gauge how responsive residents of the two states were to the changes they faced, anticipated or otherwise. What is clear, however, is that both reacted strongly to the changes.

5. Conclusion

Using information reported on gift tax returns for tax years 2002 through 2012, there is evidence of a large response to changes in estate and gift tax laws. In 2012, about $440 billion in taxable gifts are reported. This is about 20 times the average annual size of transfers observed over the previous decade. Equally important, these gifts are larger than the bequests previously observed from estate tax returns for any year.

The dramatic change in the pattern of lifetime gifts raises the question of whether the observed response is temporary or permanent. If permanent, this implies significant erosion of the estate tax base (and income tax). Even if it were temporary, the acceleration observed in 2012 will very likely have significant effects on future estate tax revenues as well as the observed income and wealth distributions.[7] On a related note, this acceleration also suggests that individuals are perhaps more altruistic than previously thought.

Future extensions of the paper should employ multivariate analysis to gauge the attributes of donors, and how these, along with tax regime changes, may have influenced the observed pattern of giving. This would require linking the gift tax returns with the donor's individual tax return and perhaps the estate tax return to obtain wealth data and examine the allocation of transfers between gifts and bequests.

[7] Depending on the age and life expectancy of the donor, as well as the rate of return on transferred assets, this may suggest an acceleration in bequests to 2012 well over a trillion.

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Table 1A. Estate tax exemptions and maximum tax rates under 5 regimes

	OBRA93		TRA97		EGTRRA		TRUIRJCA 2010		ATRA 2012	
Year	Exemption	Tax Rate	Exemption	Tax Rate	Exemption	Tax Rate	Exemption	Tax Rate	Exemption	Tax Rate
1997	600,000	0.55								
1998	600,000	0.55	625,000	0.55						
1999	600,000	0.55	650,000	0.55						
2000	600,000	0.55	675,000	0.55						
2001	600,000	0.55	675,000	0.55						
2002	600,000	0.55	700,000	0.55	1,000,000	0.50				
2003	600,000	0.55	700,000	0.55	1,000,000	0.49				
2004	600,000	0.55	850,000	0.55	1,500,000	0.48				
2005	600,000	0.55	950,000	0.55	1,500,000	0.47				
2006	600,000	0.55	1,000,000	0.55	2,000,000	0.46				
2007	600,000	0.55	1,000,000	0.55	2,000,000	0.45				
2008	600,000	0.55	1,000,000	0.55	2,000,000	0.45				
2009	600,000	0.55	1,000,000	0.55	3,500,000	0.45				
2010	600,000	0.55	1,000,000	0.55	Repealed	0				
2011	600,000	0.55	1,000,000	0.55	1,000,000	0.55	5,000,000	0.35		
2012	600,000	0.55	1,000,000	0.55	1,000,000	0.55	5,120,000	0.35		
2013	600,000	0.55	1,000,000	0.55	1,000,000	0.55	1,000,000	0.55	5,250,000	0.40

Notes: OBRA93 denotes Omnibus Budget Resolution Act of 1993; TRA97 denotes Tax relief Act of 1997; EGTRRA denotes Economic Growth and Tax Relief Reconciliation Act of 2001; TRUIRJCA denotes Tax Relief, Unemployment Insurance Authorization, and Job Creation Act of 2010; ATRA denotes American Taxpayer Relief Act of 2012 (enacted in January 1, 2013).

Table 1B. Gift tax exemptions and maximum tax rates under 5 regimes

	OBRA93		TRA97		EGTRRA		TRUIRJCA 2010		ATRA 2012	
Year	Exemption	Tax Rate	Exemption	Tax Rate	Exemption	Tax Rate	Exemption	Tax Rate	Exemption	Tax Rate
1997	600,000	0.55								
1998	600,000	0.55	625,000	0.55						
1999	600,000	0.55	650,000	0.55						
2000	600,000	0.55	675,000	0.55						
2001	600,000	0.55	675,000	0.55						
2002	600,000	0.55	700,000	0.55	1,000,000	0.50				
2003	600,000	0.55	700,000	0.55	1,000,000	0.49				
2004	600,000	0.55	850,000	0.55	1,000,000	0.48				
2005	600,000	0.55	950,000	0.55	1,000,000	0.47				
2006	600,000	0.55	1,000,000	0.55	1,000,000	0.46				
2007	600,000	0.55	1,000,000	0.55	1,000,000	0.45				
2008	600,000	0.55	1,000,000	0.55	1,000,000	0.45				
2009	600,000	0.55	1,000,000	0.55	1,000,000	0.45				
2010	600,000	0.55	1,000,000	0.55	1,000,000	0.35				
2011	600,000	0.55	1,000,000	0.55	1,000,000	0.55	5,000,000	0.35		
2012	600,000	0.55	1,000,000	0.55	1,000,000	0.55	5,120,000	0.35		
2013	600,000	0.55	1,000,000	0.55	1,000,000	0.55	1,000,000	0.55	5,250,000	0.40

Notes: Gifts are taxable only when they exceed the annual exclusion, and transfers to spouses and charities. The annual exclusion was set at $10,000 in 1982, and indexed for inflation by TRA97. The exclusion is equal to $11,000 in 2002 through 2005, to $12,000 in 2006 through 2008, to $13,000 in 2009 through 2012, and to $14,000 in 2013.

Table 2A. Number of gift tax returns filed by size of taxable gifts

Year	0	Gifts<=$1M	$1<Gifts<=5M	Gifts>$5M	All
2002	108,212	175,439	885	106	284,642
2003	103,188	161,048	712	100	265,048
2004	98,564	170,771	1,043	97	270,475
2005	93,448	170,910	979	132	265,469
2006	93,960	159,618	1,141	134	254,853
2007	93,536	158,762	1,518	208	254,024
2008	86,602	145,596	1,297	189	233,684
2009	84,853	136,974	1,116	179	223,122
2010	81,645	135,995	1,938	635	220,213
2011	68,599	153,193	32,040	728	254,560
2012	56,981	195,157	124,698	1,954	378,790

Note: Gifts by 9058 donors in 2012 between $5 and $5.12M are treated as if they were $5M.

Table 2B. Trend in taxable gifts ($billion)

Year	Gifts<=$1M	$1<Gifts<=5M	Gifts>$5M	All
2002	23.1	1.6	1.4	26.0
2003	18.1	1.3	1.0	20.3
2004	21.0	1.9	1.2	24.0
2005	21.6	1.7	1.5	24.8
2006	21.3	2.0	2.1	25.4
2007	21.8	2.8	3.3	27.9
2008	19.8	2.4	2.8	25.0
2009	18.6	2.1	2.7	23.5
2010	18.5	4.2	13.2	35.9
2011	26.3	84.8	7.8	119.0
2012	46.7	370.1	22.1	438.9

Note: Gifts by 9058 donors in 2012 between $5 and $5.12M are treated as if they were $5M.

Table 3A. California: Number of gift tax returns filed by size of taxable gifts

Year	0	Gifts<=$1M	$1<Gifts<=5M	Gifts>$5M	All
2002	7,591	19,408	132	12	27,143
2003	7,141	17,994	125	21	25,281
2004	6,903	19,106	179	13	26,201
2005	6,696	19,016	152	23	25,887
2006	6,681	17,730	184	23	24,618
2007	6,845	17,751	245	33	24,874
2008	6,166	16,498	182	25	22,871
2009	5,933	15,979	202	29	22,143
2010	5,588	15,600	274	91	21,553
2011	4,666	17,875	4,131	104	26,776
2012	3,935	23,398	17,439	291	45,063

Note: Gifts by 1208 donors in 2012 between $5 and $5.12M are treated as if they were $5M.

Table 3B. California: trend in taxable gifts ($billion)

Year	Gifts<=$1M	$1<Gifts<=5M	Gifts>$5M	All
2002	3.0	0.2	0.3	3.5
2003	2.5	0.2	0.2	2.9
2004	3.0	0.3	0.1	3.4
2005	3.0	0.3	0.4	3.6
2006	2.9	0.3	0.2	3.4
2007	3.0	0.5	0.4	3.8
2008	2.6	0.3	0.4	3.4
2009	2.5	0.4	0.5	3.4
2010	2.4	0.6	2.4	5.5
2011	3.5	10.7	1.1	15.3
2012	6.2	51.6	3.8	61.5

Note: Gifts by 1208 donors in 2012 between $5 and $5.12M are treated as if they were $5M.

Table 4A. New York: Number of gift tax returns filed by size of taxable gifts

Year	0	Gifts<=$1M	$1<Gifts<=5M	Gifts>$5M	All
2002	7,614	16,076	136	16	23,842
2003	7,670	14,934	103	11	22,718
2004	7,666	15,544	151	16	23,377
2005	7,143	15,394	136	16	22,689
2006	7,429	13,586	135	20	21,170
2007	7,442	13,170	205	40	20,857
2008	7,074	12,383	178	37	19,672
2009	7,157	11,506	137	30	18,830
2010	7,090	11,433	265	96	18,884
2011	5,740	12,461	3,921	97	22,219
2012	4,985	15,476	13,145	245	33,851

Note: Gifts by 1257 donors in 2012 between $5 and $5.12M are treated as if they were $5M.

Table 4B. New York: Trend in taxable gifts ($billions)

Year	Gifts<=$1M	$1<Gifts<=5M	Gifts>$5M	All
2002	2.4	0.3	0.2	2.9
2003	2.1	0.2	0.1	2.4
2004	2.4	0.3	0.2	2.9
2005	2.4	0.2	0.2	2.9
2006	2.2	0.2	0.5	2.9
2007	2.1	0.4	0.6	3.1
2008	1.9	0.3	0.4	2.7
2009	1.7	0.3	0.7	2.7
2010	1.8	0.6	1.4	3.8
2011	2.5	11.1	0.9	14.5
2012	4.0	40.9	2.7	47.5

Note: Gifts by 1257 donors in 2012 between $5 and $5.12M are treated as if they were $5M.

Figure 1. Estate and Gift Tax Receipts ($millions)

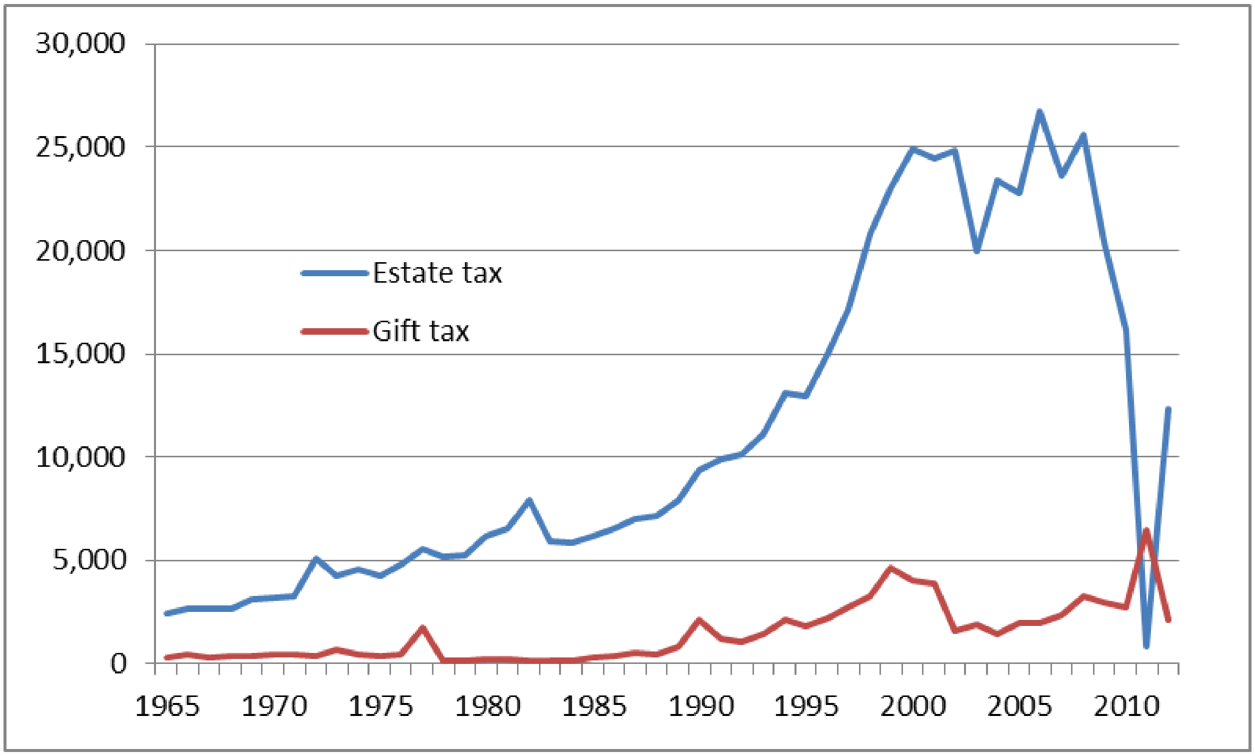

Figure 2. Trend in gifts ($billion)

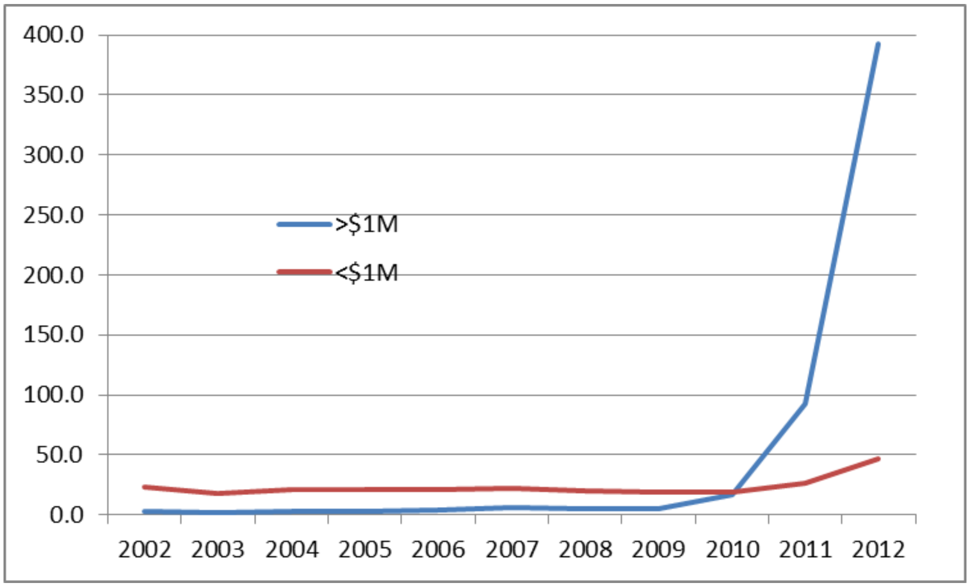

Figure 3A. Bunching in 2007

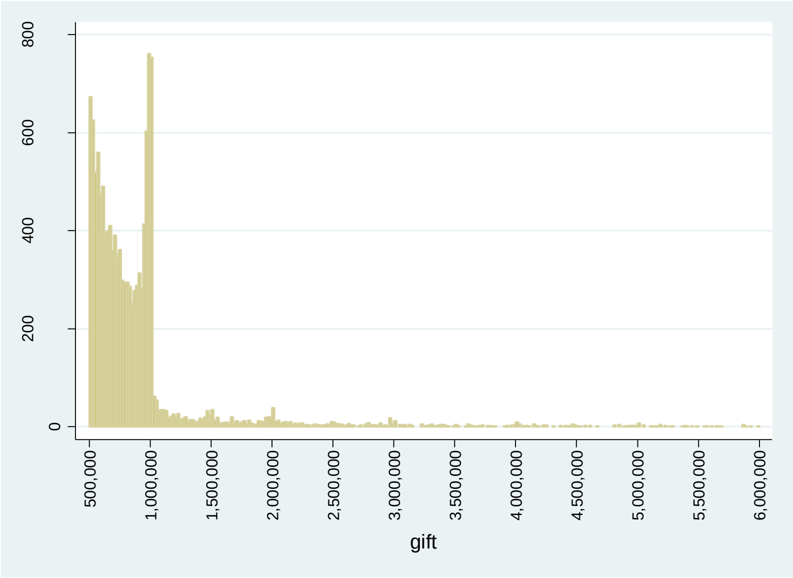

Figure 3B. Bunching in 2010

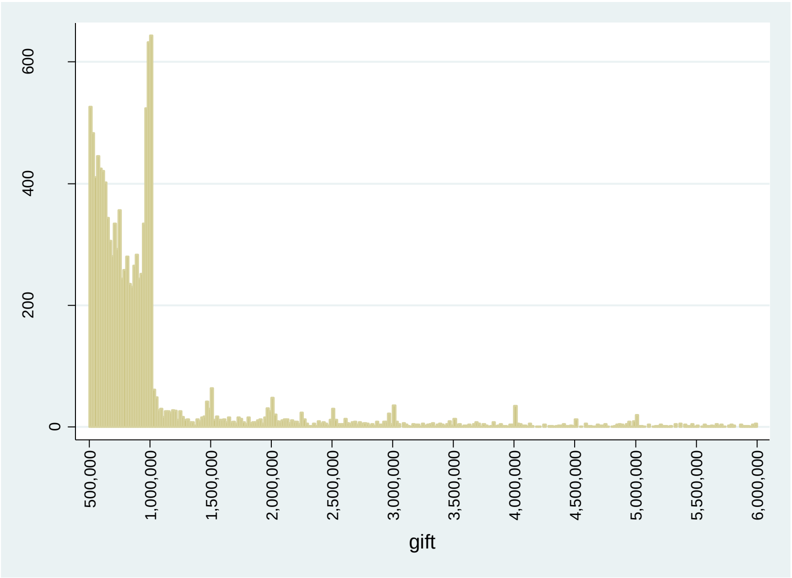

Figure 3C. Bunching in 2011

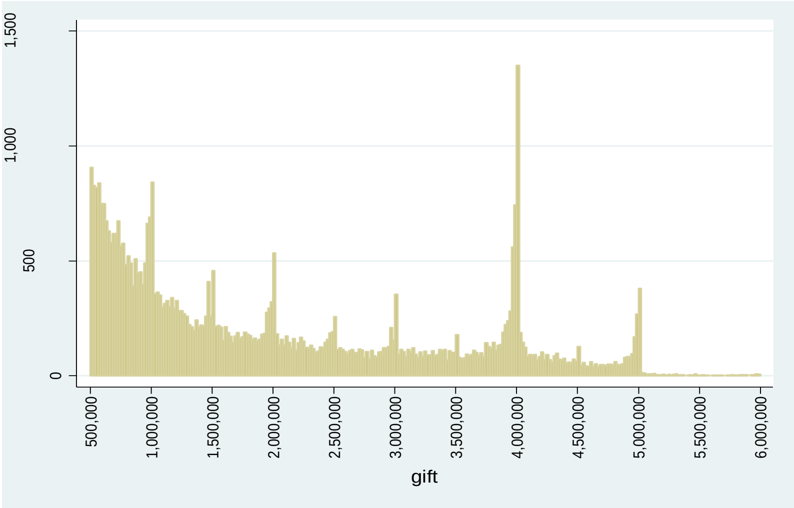

Figure 3D. Bunching in 2012