Estate and gift tax by the numbers

In March the Congressional Joint Committee on Taxation released a summary of the current state of federal taxation. The sources of federal revenue were identified and ranked. As has been true for many years, the federal estate, gift and generation-skipping transfer taxes were bringing up the rear. The report included appendices that put revenue sources into historical context.

The income tax has long been the primary driver, at 45% to 50% of total collections over the years. Social insurance taxes come next, at 30% to 35%. The share of each of these has been fairly consistent despite the many tax law changes that have occurred over the years. The corporate tax collections have been more volatile, as they are more sensitive to the economy generally. In 2006, for example, corporations paid 14.7% of total federal taxes. This fell by roughly a third, to 9.0% by 2017, the year before the reforms of the Tax Cuts and Jobs Act of 2017. The estimate for 2018 is 6.2%—the same as it was in 1983.

The federal estate and gift taxes provide a scant 0.7% of total federal revenue. Its share was over 2% in 1971-1973, and has hovered near 1% since 1990. The relative insignificance of estate and gift taxes will likely worsen, as this report covers periods before the doubling of the amount exempt from such taxes.

Shares are one thing, dollars are another. Some $22.9 billion in federal estate and gift taxes were estimated to have been collected in 2018. That sounds like a lot. But to put it into perspective, the federal excise tax on gasoline raised $22.5 billion that year, the excise tax on tobacco brought in $13.0 billion, and the excise on alcohol was worth $10.6 billion.

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