

## Major Factors Affecting Household Portfolios, 1963-98

Year	Top 1% by income		Estate tax				Gift tax
	Marginal rate	Effective rate <sup>1</sup>	Tax range	Exemption	Exclusion for closely held business	Marital deduction	Annual exclusion <sup>2</sup>
1963	91%	24.6%	3-77%	\$60,000	NA	50%	\$3,000 <sup>3</sup>
1977	70%	27.8%	18-70%	\$120,667	\$500,000	50% or \$250,000	\$3,000
1980	70%	23.9%	18-70%	\$161,563	\$500,000	50% or \$250,000	\$3,000
1985	50%	19.2%	18-55%	\$400,000	\$750,000	100%	\$10,000
1989	28%	20.4%	18-55%	\$600,000	\$750,000	100%	\$10,000
1993	39.6%	21.9%	18-55%	\$600,000	\$750,000	100%	\$10,000
1995	39.6%	23.8%	18-55%	\$600,000	\$750,000	100%	\$10,000
1998	39.6%	NA	18-55%	\$625,000	\$750,000 <sup>4</sup>	100%	\$10,000 <sup>5</sup>

<sup>1</sup>The effective tax rate is the effective individual income tax rate. This is calculated by dividing individual income tax by total income.

<sup>2</sup>The annual exclusion is per donee.

<sup>3</sup>Since 1977 the gift tax range has been the same as the estate tax range. Prior to 1977 the gift tax range was 2.25-57.75%.

<sup>4</sup>Starting in 1998 the estate tax exemption increases yearly to 1 million dollars in 2006 and the exclusion for closely held business is indexed for inflation.

<sup>5</sup>Starting in 1998 the annual exclusion is indexed for inflation.

### Sources:

#### *For marginal and effective rates prior to 1980:*

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#### *For marginal rates from 1980-1998:*

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#### *For effective rates from 1980-93:*

Slemrod, Joel. (1994), *Tax Progressivity and Income Inequality*, New York: Cambridge University Press.

#### *For effective rate for 1995:*

Kasten, R., Sammartino, F., and Weiner, D. (1998), "Estimates of Federal Tax Liabilities for Individuals and Families By Income Category and Family Type for 1995 and 1999", Congressional Budget Office.

#### *For estate and gift tax information:*

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