

2016 Federal and State Estate Gift Tax Exemptions for D.C., Maryland, and Virginia

December 28, 2015

Each year, certain estate, gift and generation-skipping transfer tax figures are subject to inflation adjustments. *This client alert addresses inflation adjustments and other changes in federal and state estate and gift tax exemptions, that take effect January 1, 2016, for D.C., Maryland, and Virginia residents. Residents in these jurisdictions should seek qualified counsel if they face the situations discussed below.*

Indexing of the federal unified estate and gift tax exemption will cause it to rise from \$5,430,000 in 2015 to \$5,450,000 for decedents dying in 2016. The generation-skipping transfer tax exemption will also increase to \$5,450,000 for 2016.

Under legislation passed in 2014 (see our 2014 client alert "[Maryland Estate Tax Exemption to Rise](#)"), the Maryland estate tax exemption will rise to \$2,000,000 effective for decedents dying on or after January 1, 2016. Scheduled increases in the D.C. estate tax exemption were subject to attaining certain budget targets that have not yet been met, so the D.C. estate tax exemption will remain at \$1,000,000 for 2016. Virginia repealed its estate tax in 2007. Neither D.C., Maryland, nor Virginia has a state gift tax.

The federal annual exclusion from gift tax will remain at \$14,000 for 2016.

Although the D.C. estate tax exemption will not increase for decedents dying in 2016, one important change to the D.C. estate tax will take effect. Under prior law, the first \$1,000,000 of assets was exempt from D.C. estate tax only if the taxable estate was \$1,000,000 or less. A legislative change to the language of the exemption effective January 1, 2016, creates a "zero bracket amount" of \$1,000,000. This has the effect of exempting from D.C. estate tax the first \$1,000,000 of assets, even if the taxable estate exceeds \$1,000,000. When and if the budget targets are met in future years, this zero bracket amount will increase first to \$2 million and then to match the federal exemption amount, including indexing.

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