

Swan Songs: Simplifying the Generation-Skipping Transfer Tax

Swan Songs is a series designed to explain important estate planning concepts to advisors and their clients in an easily digestible way.

Authors	Date	Topic
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Simplifying the Generation-Skipping Transfer Tax

The generation-skipping transfer (GST) tax is a federal tax that applies to transfers of wealth that skip over generations. It primarily aims to prevent individuals from avoiding the inclusion of gifted or inherited assets in their children's taxable estates by transferring assets directly to grandchildren or other beneficiaries who are two or more generations younger than the transferor. Assets transferred to a grandchild whose parent (where that parent is the child of the transferor) is deceased are not considered to be skip transfers for purposes of the GST tax.

Each taxpayer has a GST exemption that allows certain transfers to be made without incurring the tax. As of 2026, this exemption amount is \$15 million per transferor, which means a person can transfer a lifetime total of \$15 million without incurring a GST tax. However, if the combined value of the person's transfers exceeds the exemption amount, the GST tax is imposed at the highest estate tax rate—currently, 40%.

The GST tax generally will not apply to annual exclusion gifts or payments made on behalf of a skip person for education or medical care. Above these amounts, it's important to note that in order to make tax-free gifts to generation-skipping recipients, grantors *must apply both*: a portion of their GST exemption *and* their unified credit. While the unified credit and the GST exemption are both the same amount (\$15 million), they operate separately and often need to be applied together to achieve the desired tax outcome. We explain how the annual exclusion and the unified credit each work in our article, [Swan Songs: Gifting, Simplified](#).

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