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Economic Growth and Tax Relief Reconciliation Act of 2001 Estate and Gift Tax Provisions

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Congress has passed and the President has signed the Economic Growth and Tax Relief Reconciliation Act of 2001 (The Act). It is the biggest tax reduction since 1981. The Act is very complex, and is likely to try the patience of tax preparers as well as taxpayers and "tax" the resources of IRS. The Act uses complex phase-ins (and phase-outs) to achieve its central goals, and to stay within budget limitations as to the allowable size of the tax cut. Taxpayers will never realize many of the tax benefits promised in future years. In addition, the alternative minimum tax will negate much of the allowed tax savings. This current report will discuss Estate Tax provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001. The income tax law that will be effective in 2001 and 2002 are discussed in current report 957, the changes that will become effective in tax years 2003 through 2009 are discussed in current report 958. For specific questions contact your local County Extension Director, Area Farm Management Specialist, or State Tax Specialist.

Overview

For estates of individuals dying after 2009, the estate and generation-skipping transfer (GST) taxes will be repealed, and subject to numerous exceptions, assets acquired from a decedent will receive a carry-over basis.

Beginning in 2002 and through 2009, the estate and gift tax rates will be reduced and the unified credit effective exemption amount for estate tax purposes and the GST tax exemption amount will be increased. In 2002, the unified credit effective exemption amount for lifetime gifts will be increased to $1 million and will remain at that level. Other estate tax changes will be made during some of these phase-out years. For individuals dying after 2000, the availability of conservation easements will be expanded.

Certain transfer tax recapture provisions will continue to apply after the estate tax is repealed. Installment payment of estate tax attributable to a closely held business will be expanded. There's a new opportunity to claim certain time-barred refunds arising in connection with special use valuation.

Transfer Tax Changes for Individuals Dying and Gifts Made in 2002

1. The unified credit exemption equivalent amount for both estate and gift tax purposes will increase to $1 million.
2. The top estate tax, gift tax, and GST tax rate will drop to 50 percent.
3. The 5 percent surtax that phases out the benefit of graduated rates will be repealed.
4. The state death tax credit will be reduced by 25 percent from the pre-Act law amount.

The GST tax rate will drop to 50 percent, since it equals the highest estate tax rate.

Transfer Tax Changes for Individuals Dying and Gifts Made in 2003

- The unified credit exemption equivalent will remain at $1 million.
- The top estate tax, gift tax rate, and GST tax rate will drop to 49 percent.
- The state death tax credit will be reduced by 50 percent from the pre-Act law amount.

Transfer Tax Changes for Individuals Dying and Gifts Made in 2004

- The exemption equivalent amount for estate tax purposes and the GST tax exemption will increase to $1.5 million.
- The top estate tax, gift tax, and GST tax rate will drop to 48 percent.
- The gift tax unified credit exemption amount will remain at $1 million.
- The state death tax credit will be reduced by 75 percent from the pre-Act law amount.
- The qualified family owned business deduction will be repealed.

Ordinarily, it would not make sense to make gifts that would bring an individual's total cumulative lifetime taxable transfers over $1 million. That is because the gifts would cause gift tax to be payable. It would make better sense to hold off and make transfers at death. Such an approach could result in less or no transfer tax being payable on additional transfers because of the higher estate tax exemption during the phase-out years or because of repeal after 2009.

Also, an individual who has exhausted his $1 million dollar exemption can continue to make gifts each year free of gift tax up to the amount of the inflation-adjusted annual exclusion ($10,000 in 2001 for each individual to whom a gift is made). An individual also can make unlimited transfers to his spouse free of gift tax. A spousal donee, in turn, would be free to make gifts to others to take advantage of the annual exclusion and her own $1 million exemption. Alternatively, a spouse without sufficient resources can double the annual exclusion available to the other spouse by consenting to gift-splitting.

There may be some situations where it would make sense to pay gift tax. For example, it might make sense to make gifts even though tax would be payable where the donor has assets whose value exceeds the increasing estate tax exemption amount and the donor is not expected to live beyond four or five years. Doing this could cause the post-transfer appreciation in the value of the gifts and the gift tax to be removed from the donor's estate tax base.

Transfer Tax Changes for Individuals Dying and Gifts Made in 2005

- The exemption equivalent amount for estate tax purposes and the GST tax exemption will remain at $1.5 million.
- The top estate tax, gift tax, and GST tax rate will drop to 47 percent.
- The gift tax unified credit exemption amount will remain at $1 million.
- The state death tax credit will be repealed and replaced with a deduction.

Transfer Tax Changes for Individuals Dying and Gifts Made in 2006

- The exemption equivalent amount for estate tax purposes and the GST tax exemption will increase to $2 million.
- The top estate tax, gift tax, and GST tax rate will drop to 46 percent.
- The gift tax unified credit exemption amount will remain at $1 million.

Transfer Tax Changes for Individuals Dying and Gifts Made in 2007

- The exemption equivalent amount for estate tax purposes and the GST tax exemption will remain at $2 million.
- The top estate tax, gift tax, and GST tax rate will drop to 45 percent.
- The gift tax unified credit exemption amount will remain at $1 million.

Transfer Tax Changes for Individuals Dying and Gifts Made in 2008

- The exemption equivalent amount for estate tax purposes and the GST tax exemption will remain at $2 million.
- The top estate tax, gift tax, and GST tax rate will remain at 45 percent.
- The gift tax unified credit exemption amount will remain at $1 million.

Transfer Tax Changes for Individuals Dying and Gifts Made in 2009

- The exemption equivalent amount for estate tax purposes and the GST tax exemption will increase to $3.5 million.
- The top estate tax, gift tax, and GST tax rate will remain at 45 percent.
- The gift tax unified credit exemption amount for lifetime transfers will remain at $1 million.

Repeal and Other Transfer Tax Changes for Estates of Individuals Dying and Gifts Made After 2009 and Later Years

- The estate and generation skipping transfer (GST) taxes will be repealed.
- Subject to numerous exceptions, assets acquired from a decedent will receive a carry-over basis.
- The gift tax unified credit exemption amount will remain at $1 million, and the top gift tax rate will drop to 35 percent.

Gradual Elimination of State Death Tax Credit by 2005

A state death tax credit is allowed against the Federal estate tax for estate or inheritance taxes paid to a state on property included in a decedent's gross estate. Most states impose a "pick-up" or "soak-up" estate or inheritance tax that exactly equals the allowable state death tax credit allowed against the Federal estate tax.

New law. For estates of individuals dying after 2004, the state death tax credit will be repealed and replaced with a new deduction for state death taxes. The deduction will be allowed in computing the taxable estate. The state death taxes will have to have been paid and claimed before the later of:

1. Four years after the filing of the estate tax return.
2. Sixty days after a decision of the U.S. Tax Court becomes final.
3. The expiration of the period of extension to pay estate taxes in installments.
4. The expiration of the period of limitations in which to file a claim for refund or 60 days after a decision of a court in which such refund suit has been filed becomes final.

Before Repeal and the Change to a Deduction, the State Death Tax Credit will be Reduced By:

- Twenty percent from the amount allowed under pre-Act law, for estates of individuals dying in 2002.
- Fifty percent from the amount allowed under pre-Act law, for estates of individuals dying in 2003.
- Seventy-five percent from the amount allowed under pre-Act law, for estates of individuals dying in 2004.

The reduction in, and later repeal of, the state death tax credit will not affect the total of the Federal and State estate and inheritance taxes that have to be paid by the estate of a decedent, who died in a state that imposes an estate or inheritance tax only to the extent of the availability of the state death tax credit. This change only means that a larger percentage of the gross Federal estate tax after applying the unified credit will go to the Federal government, and less will go to the State. For decedents dying after 2004, the entire tax will go to the Federal government.

On the other hand, if a state's estate or inheritance tax is not pegged to the state death tax credit, then part of the benefit of lower Federal estate taxes will be lost if the state retains its current rates and a lower (or no) state death tax credit is available.

Repeal of Family Owned Business Deduction After 2003

If more than 50 percent of the decedent's estate (as computed in a special way taking into account certain lifetime gifts) consists of qualified family-owned business interests, the executor may elect (on Form 706, Schedule T) to deduct the value of the interests from the gross estate. The maximum deduction is $675,000 and the deduction is coordinated with the unified credit so that the unified credit exemption equivalent amount cannot exceed $625,000 (regardless of the amount otherwise in effect for that year) if the full $675,000 family-owned business deduction is used.

New law. For individuals dying after 2003, the qualified family owned business deduction will be repealed.

Modified Carry-over Basis After 2009

Currently, property received from a donor of a lifetime gift takes a carry-over basis, i.e., the basis in the hands of the donee is the same as it was in the hands of the donor plus any gift tax paid on any unrealized appreciation. The basis of a lifetime gift, however, cannot exceed the property's fair market value on the date of the gift for purposes of determining loss on a later sale.

Property passing from a decedent's estate generally takes a new basis, i.e., the basis of property generally is the fair market value on the date of the decedent's death (or, if the alternate valuation date is elected, the earlier of six months or the date the property is sold or distributed by the estate). This step up (or step down) in basis eliminates the recognition of any income on the appreciation of the property that occurred before the decedent's death, and has the effect of eliminating the tax benefit from any unrealized loss.

In community property states, a surviving spouse's one-half share of community property held by the decedent and the surviving spouse generally is treated as having passed from the decedent, and thus is eligible for stepped-up basis. This rule applies if at least one-half of the complete community interest is includible in the decedent's gross estate.

New law. For individuals dying after 2009, when estate and GST taxes will be completely repealed, subject to exceptions, the basis of property acquired from a decedent in the hands of the person acquiring or receiving it, generally will be the lower of the fair market value on the date of the decedent's death or the adjusted basis of the property immediately before the death of the decedent.

In other words, the decedent's basis will carry over to the heir except for property whose value at death was lower than the decedent's basis, in which case the heir will receive a basis equal to the fair market value of the property at death, but a basis increase to other assets may be permitted for the amount of the built-in loss.

Inform taxpayers to retain all records of their basis in assets. For purchases, this generally means the original cost. But record keeping can become complicated when, for example, improvements were made to real property. Planners will need to distinguish between improvements that add to basis and repairs and other expenditures that do not. Records also will be needed for items acquired as gifts or from the estates

Exceptions to Carry-over Basis After 2009

Though assets acquired from decedents dying after 2009 generally will get a carry-over basis, there will be three potential adjustments to the basis of those assets:

1. Each estate will receive $1.3 million of basis to be added to the carry-over basis of any one or more of the assets held at death.

This is different from the estate tax repeal bill that passed Congress last year and was vetoed by former President Clinton. That bill would have given a step-up for assets worth $1.3 million as selected by the executor. Thus, if selected assets worth $1.3 million at death had a basis to the decedent of $300,000, the repealed bill would have given an additional $1 million in basis. This Act will give an additional $1.3 million in basis, regardless of the value of the assets for which the increase is chosen. For example, if an individual dies owning stock worth $5 million for which he had paid $3.7 million, the basis of the stock can be increased to $5 million under the Act.

2. An estate generally will receive additional basis equal to the sum of (a) the decedent's unused capital loss carry forwards, (b) the decedent's unused net operating loss carry forwards, and (c) the amount of losses that would have been allowable if the property acquired from the decedent had been sold at fair market value immediately before death.

The rule in (2)(c) will give additional basis from qualifying loss property that would start out receiving a fair market value basis under the general carry-over rule.

3. Estates will be allowed an additional $3 million of basis, to be allocated among the assets passing to a surviving spouse.

Last year's vetoed bill also had a spousal rule but it would have given a step-up in $3 million of assets transferred to a spouse. The Act will give an additional $3 million in basis to a spouse.

No Addition to Basis May Increase the New Basis of Any Asset Above its Fair Market Value on the Date of Death

This will prevent basis increases from being used to gain depreciation deductions for more than the property's fair market value at death, or to create potential tax losses.

The executor will choose the assets that will get the basis increase. Executors will want to determine which assets the heirs may sell. Basis increases should be added to those assets that are identified as likely to be sold. This may allow the heirs to avoid having to pay any income taxes on the sale. The allowable amounts of additional basis will be indexed for inflation after 2010.

Property Must Be Owned by Decedent to be Eligible for Basis Increase After 2009

Basis can be added to property acquired from the decedent only if the property was owned, or is treated as owned, by the decedent at the time of death.

For spousal joint tenancies, one-half of the property is treated as having been owned by the decedent and is thus eligible for the basis increase. For property held jointly with a person other than the surviving spouse, the portion of the property attributable to the consideration furnished by the decedent is treated as having been owned by the decedent and is eligible for a basis increase.

Property that was transferred by the decedent during his lifetime to a revocable trust that pays all of its income during the decedent's life to the decedent or at the direction of the decedent is treated as having been owned by the decedent and is thus eligible for the basis increase.

A surviving spouse's one-half share of community property is treated as having been owned by the decedent and is thus eligible for the basis increase if at least one-half of the property was owned by, and acquired from, the decedent.

A decedent is not treated as owning any property solely by reason of holding a power of appointment over the property.

In no event may basis be added to (1) property acquired by the decedent by gift (other than from a spouse) during the 3-year period ending on the date of the decedent's death, (2) property that constitutes a right to receive income in respect of a decedent (e.g., a traditional IRA), or (3) stock of certain foreign entities.

The 3-year rule generally prevents a wealthy individual from transferring assets to a dying person to get an additional basis increase. For example, an individual's father is dying and has only $300,000 in assets. The individual transfers $1 million in assets to his father who dies within a year and leaves the $1 million in assets to the individual's son. Without the three-year rule, this approach would effectively permit the individual to get a basis increase for the $1 million in assets transferred to his son through his father. The 3-year rules prevent this. However, transfers can be made to a dying spouse to enable him or her to have sufficient assets to make use of the $1.3 million step-up opportunity. Note, one would want to transfer sufficient assets to a dying spouse to get $4.3 million in basis increases unless there is some concern that the spouse may leave some or all of the money to undesirable beneficiaries.

Where assets are going to be transferred to an elderly relative in an effort to get additional basis increases for junior family members, make the transfers as early as possible to increase the likelihood that the transferee will survive the 3-year period. Before transferring assets, however, consider the risk that they could be lost to health care providers or other creditors.

Property Eligible for Spousal Basis Increase After 2009

Property is eligible to receive an additional spousal basis allocation if it passes outright to the surviving spouse, or is "qualified terminal interest property." The latter is similar to QTIP property under pre-Act law. For example, a trust in which the surviving spouse is entitled to all of the income from the trust property, payable annually or at more frequent intervals, and no person has a power to appoint any part of the property to any person other than the surviving spouse during the surviving spouse's lifetime would qualify for the $3 million basis increase.

Home sale exclusion for heirs after 2009

For individuals dying after 2009, the exclusion of gain on the sale of a principal residence will be extended to the decedent's estate, heirs, and trusts that were qualified revocable trust immediately before the decedent's death. Thus, an estate, heir, or qualified trust that sells the decedent's principal residence within 3 years of the decedent's death will be able to use the 2-out-of-5-years rule for the decedent's ownership and use of the residence while alive, and claim a capital gain exclusion.

This will be available even if, at about the same time, the heir takes advantage of the exclusion for his own residence.

In addition, if an heir occupies the property as a principal residence, the decedent's period of ownership and occupancy of the property as a principal residence can be added to the heir's subsequent ownership and occupancy in determining whether the property was owned and occupied for two years as a principal residence. The decedent's period of occupancy of the property as a principal residence can be added to the heir's even if the property was owned by a qualified revocable trust during the decedent's occupancy.

In situations where there is other property whose basis could be increased, an executor ought not to allocate an increase in basis to a principal residence except to the extent the built-in gain at death (i.e., the excess of property's fair market value over the decedent's basis) is more than the available exclusion.

Character of Gain and Recapture on Sale by Heir of Property Received from Individual Dying After 2009

The character of the gain on the sale of assets inherited from an individual dying after 2009 will remain the same as it was in the hands of the decedent. Thus, real estate that has been depreciated and would be subject to recapture tax if sold by the decedent will be subject to recapture tax if sold by the heir.

Lifetime Gift Reporting Requirements After 2009

A donor will have to provide the donee of a gift of property information about the property (e.g., the fair market value and basis of property) that was reported on the donor's gift tax return. Penalties will be imposed for failure to meet these reporting requirements unless the failure is due to reasonable cause.

Reporting Large Transfers at Death After 2009

For transfers at death of non-cash assets in excess of $1.3 million and for appreciated property received within 3 years of death, the executor of the estate (or the trustee of a revocable trust) of an individual dying after 2009 will have to report to IRS:

1. The name and taxpayer identification number of the recipient of the property.
2. An accurate description of the property.
3. The adjusted basis of the property in the hands of the decedent and its fair market value at the time of death.
4. The decedent's holding period for the property.
5. Sufficient information to determine whether any gain on the sale of the property would be treated as ordinary income.
6. The amount of basis increase allocated to the property.
7. Any other information as IRS may prescribe.

The return containing the required information will have to be filed with the decedent's final income tax return or at such later time as regulations may permit. The executor also will have to provide the recipient of the property the basis and fair market value of the property at the time of death. Penalties will be imposed for failure to meet these reporting requirements unless the failure is due to reasonable cause.

Estate Tax Recapture Provisions Continuing After 2009

Before estate tax is repealed for estates of individuals dying after 2009, many estates may claim the benefit of one or more estate tax breaks that have so-called recapture provisions under which some or all of the tax break has to be paid back on the happening of certain events. Even after estate tax is repealed, the recapture rules pertaining to the following tax breaks generally will continue to apply to estates of individuals dying before January 1, 2010:

1. Qualified conservation easements.
2. Special-use valuation.
3. Installment payment of estate tax attributable to a closely-held business.

In addition, there will continue to be an estate tax imposed on (1) any distribution before 2021 from a qualified domestic trust (which achieves a marital deduction for a noncitizen surviving spouse before the date of the death of the noncitizen surviving spouse) and (2) the value of the property remaining in a qualified domestic trust on the date of death of the noncitizen surviving spouse if he or she dies before 2010.

Transfers in Satisfaction of a Pecuniary Bequest After 2009

For estates of individuals dying after 2009, gain on the transfer of property in satisfaction of a pecuniary bequest (specific transfer to an individual regardless of share) will have to be recognized only to the extent that the fair market value of the property at the time of the transfer exceeds the fair market value of the property on the date of the decedent's death (not the property's carryover basis). The transferee will get a carryover basis increased by the amount of gain recognized on the transfer.

A beneficiary, who is given a pecuniary bequest, would be better off taking cash rather than property having a carry-over basis that is lower than its fair market value at the time of the possible transfer. That's because the beneficiary could use the cash to buy the property and achieve a cost basis, whereas if he takes the property his basis would be lower than the amount of the bequest.

Jim is given a pecuniary bequest of $40,000. He gets the cash and buys publicly traded ABC stock for $40,000. His basis in the stock is $40,000. Now suppose the executor satisfies the $40,000 pecuniary bequest with $40,000 in ABC stock that had a basis to the decedent of $20,000 and that was worth $30,000 on the date of the decedent's death. The estate would have a gain of $10,000 on the distribution and the beneficiary would get a basis of $30,000 (the original $20,000 basis increased by the $10,000 gain recognized on the distribution).

The amount of loss realized and recognized on a distribution in satisfaction of a pecuniary bequest will not be affected by fair market value date of death. The loss will still be measured by reference to the carry-over basis and not by reference to the fair market value at death. Also, the loss can be recognized even though it is between two related parties consisting of an estate and a beneficiary.

For example, a beneficiary is entitled to a pecuniary bequest of $10,000 that is satisfied with stock worth $10,000. The stock had a basis to the decedent of $20,000 and was worth $30,000 on the date of death. It had dropped in value to $10,000 when it was distributed to the beneficiary. Here the estate recognizes a $10,000 loss on the distribution (basis of $20,000 less $10,000 deemed received on the exchange.

Transfer of Property Subject to a Liability After 2009

For estates of individuals dying after 2009, gain will not be recognized at the time of death when the estate or heir acquires from the decedent property subject to a liability that is greater than the decedent's basis in the property. Similarly, the estate will recognize no gain on the distribution of such property to a beneficiary by reason of the liability. The exceptions to gain recognition will not apply to distributions to tax-exempt beneficiaries.

Gain Recognized on Transfers at Death to Nonresident, Noncitizens After 2009

For estates of individuals dying after 2009, transfers by a U.S. person's estate to a nonresident who is not a U.S. citizen will be treated as a sale or exchange of the property for an amount equal to the fair market value of the transferred property. The amount of gain that will have to be recognized by the transferor will equal the excess of the fair market value of the property transferred over the adjusted basis of such property in the hands of the transferor.

Estate Tax Exclusion for Conservation Easements Retroactively Relaxed

An executor may elect (on Form 706, Schedule U) to exclude from the gross estate up to 40 percent of the value of land subject to a qualified conservation easement meeting certain requirements and subject to a dollar cap ($400,000 for individuals dying in 2001, $500,000 for those dying after 2001). One requirement is that the land must be located within 25 miles of a metropolitan area, a national park or wilderness area, or within 10 miles of an Urban National Forest.

New law. For estates of individuals dying after December 31, 2000, the requirement that the land be located within a certain distance from a metropolitan area, national park, wilderness area, or Urban National Forest is eliminated. Thus, the exclusion for a qualified conservation easement may be claimed with respect to any land that is located in the U.S. or its possessions. The Act also makes it clear that the date for determining easement compliance is the date on which the donation was made.

Various GST Tax Rules Retroactively Eased

The generation-skipping transfer (GST) tax will be repealed for estates of individuals dying after 2009 and will be eased over several years beginning with estates of individuals dying after 2001. The easing includes several reductions in the GST tax rate and several increases in the GST tax exemption. The Act also retroactively eases these specific GST tax rules:

1. For transfers subject to estate or gift tax made after December 31, 2000, and for estate tax inclusion periods ending after December 31, 2000, the GST tax exemption is automatically allocated to transfers made during life that are indirect skips, i.e., transfers (that are not direct skips) subject to the gift tax that are made to a generation-skipping transfer trust. But an election can be made not to have the automatic rules apply.
2. For deaths of non-skip persons after December 31, 2000, the GST tax exemption can be allocated retroactively when there is an unnatural order of death.
3. For trust severances occurring after December 31, 2000, a trust can be severed in a qualified severance.

Severing a trust into two trusts can ease the calculation of how much GST tax will be owed, so that the GST tax exemption can be allocated entirely to one of the resulting trusts. Pre-Act law permits a trust to be severed for GST tax purposes, but only if certain stringent conditions are met. Under the new provision, the conditions are less stringent and a trust can be severed more easily.

1. For transfers subject to estate or gift tax made after December 31, 2000, certain value rules for determining the GST inclusion ratio are modified.
2. For requests pending on, or filed after, December 31, 2000, IRS must grant (a) extensions of time to make the election to allocate the GST exemption and (b) exceptions to the time requirement, regardless of whether any period of limitations has expired.
3. For transfers subject to estate or gift tax made after December 31, 2000, substantial compliance with the statutory and regulatory requirements for allocating a GST tax exemption will establish that the exemption was allocated to a particular transfer or a particular trust.

Expansion of Installment Payment of Estate Tax on Closely-held Business

Estate tax normally is due nine months after death. Tax attributable to a qualifying closely held business however, may be deferred for 14 years.

New law. For estates of individuals dying after December 31, 2001, a partnership or corporation can have 45 partners or shareholders (up from 15) and still be considered a closely held business. Also, an estate of an individual with an interest in a qualifying lending and financing business may choose to make installment payments (including principal and interest) over five years. Furthermore, only the stock of holding companies, not that of operating subsidiaries, must be non-readily tradable to qualify for installment payment of estate tax. However, an estate with a qualifying property interest held through a holding company can only make installment payments (including principal and interest) over five years.

Opportunity to Claim Otherwise Time-barred Refunds in Connection with Special Use Valuation

For purposes of the estate tax special use valuation rules, a surviving spouse or a lineal descendant of the decedent is not treated as failing to use qualified real property in a qualified use solely because the spouse or descendant rents the property to a member of the family of the spouse or descendant on a net cash basis. Before August 5, 1997, the law permitted only surviving spouses to lease specially valued property on a net cash basis. The change was adopted in 1997 and made retroactive to cash leases entered into after December 31, 1976, but it included no provision to permit refunds that were time-barred or requested more

than 3 years after the return was filed or more than two years after the tax was paid.

New law. Refunds that were time-barred on the date of enactment may be claimed for a period of one-year from the date of enactment, notwithstanding that the statute of limitations had run.

Given that the leasing provision was made retroactive to 1976, refunds, when increased by interest, could be substantial.

Table 1. Unified credit exemption amounts and highest estate and gift tax rates.

2002	$1 million	50%
2003	$1 million	49%
2004	$1.5 million	48%
2005	$1.5 million	47%
2006	$2.0 million	46%
2007	$2.0 million	45%
2008	$2.0 million	45%
2009	$3.5 million	45%
2010	N/A (taxes repealed)	35% (gift tax only)

The Oklahoma Cooperative Extension Service
Bringing the University to You!

The Cooperative Extension Service is the largest, most successful informal educational organization in the world. It is a nationwide system funded and guided by a partnership of federal, state, and local governments that delivers information to help people help themselves through the land-grant university system.

Extension carries out programs in the broad categories of agriculture, natural resources and environment; family and consumer sciences; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of the Cooperative Extension system are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and research-based information.
- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
- More than a million volunteers help multiply the impact of the Extension professional staff.
- It dispenses no funds to the public.
- It is not a regulatory agency, but it does inform people of regulations and of their options in meeting them.
- Local programs are developed and carried out in full recognition of national problems and goals.
- The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
- Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

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