



The federal transfer tax regime can affect U.S. and non-U.S. individuals alike but proper planning can help a non-U.S. individual avoid most federal transfer taxes. There are three types of federal transfer taxes: (1) the estate tax which applies generally to transfers at death, (2) the gift tax which applies to most lifetime transfers, and (3) the generation skipping transfer (“GST”) tax which applies to certain transfers that “skip” a generation and would otherwise bypass the estate tax at the next generation, such as a gift or bequest to a grandchild. OVERVIEW OF FEDERAL TRANSFER TAXES A U.S. citizen or resident is subject to federal estate, gift and GST tax at a rate of up to 40% on his worldwide assets, wherever located. A noncitizen nonresident is subject to federal estate, gift or GST tax at the same rate but on the basis of where the assets are located: