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# Permanent Estate Tax Repeal?
## *The Continuing Saga...*


For the fourth time in four years, the U.S. House of Representatives has passed a bill calling for the permanent repeal of the federal estate tax. This latest move has, predictably, provoked strident debate on both sides of the issue

***New York Times Reply.*** On April 15 the New York Times editorial board wrote: *"The Senate should put a stop to this silliness. The only thing driving the push for repealing the estate tax is ideology. It sure isn't sound tax policy."*

The NYT goes on to say: *"The House proposal would cost the federal government a whopping $290 billion through 2015, according to estimates of Congress's own budget agency. And that's just the start; the costs after that would be explosive. And for what? Repeal would shield the estates of the very wealthiest Americans from the tax. That's the same group that already benefits from Mr. Bush's tax breaks for dividends and capital gains.*

*Repeal...is out of the question today, as America's enormous deficits weaken the domestic economy and the country's international economic leadership.*

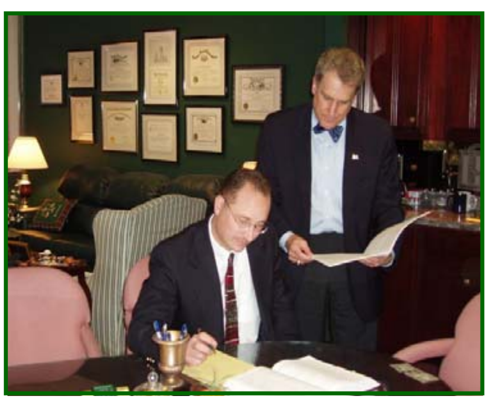
*The most commonly heard argument against the federal estate tax—that it represents unfair double taxation—is specious. First, the estate tax does not even kick in until the assets left at death exceed $1.5 million, or $3 million per married couple—and those exemptions will more than double by 2009. So most Americans never even have to think about the estate tax, let alone worry about it coming on top of some other tax.*

*Second, much of the wealth transferred at death has never been taxed. That's because capital gains on assets like houses, stocks and bonds are not taxed until the asset is sold. Obviously, if you inherit, say, a house, its owner didn't sell it, so he never paid any capital gains tax on it.*

*Another popular argument against the estate tax—that the rate is so high the government is basically confiscating your property—is also a sham. Estate tax rates currently tap out at 47%. But those rates don't even start to apply until an estate tops the multimillion-dollar exemption. As a result of the exemption and other deductions, the effective tax rate—the percentage that is actually handed over to the government—is much lower than the top-stated rate. It was only 18.8%, on average, in 2003, according to the IRS.*

*The estate tax foes' real beef is not with the estate tax per se. It's with the principle that the more you earn, the more taxes you should pay and, specifically, with the idea of taxing capital gains. Those debates are as old as the tax system itself. The Senate must stand firm for an estate tax that provides an ample exemption of up to $2 million per person, but with a top rate, 45%, that ensures that a reasonable amount is actually paid to the government. Anything less would impair fairness and could be fiscally crippling for decades to come."*

***"When I go, I plan on taking at least two of my <expletive> estate tax lawyers with me."***



***Chuck Farrington and Glenn Price***

***Leimberg's Take.*** *Steve Leimberg is a nationally known tax attorney and financial advisor. He is the CEO of Leimberg Information Services, Inc. (LISI), an e-mail newsletter and database service for financial services professionals throughout the U.S. He is the author of many books on estate, financial, insurance and retirement planning and is a nationally known speaker. With permission, here is a reprint of his insightful April 13, 2005 Estate Planning Newsletter: "House Votes to Repeal"…..*

"On April 13, 2005, the U.S. House of Representatives voted (272-162 to "fully, permanently, and immediately" repeal the federal estate tax.

The House turned down (by a vote of 238 to 194) a Democratic attempt to compromise that would have allowed couples an exemption of $7,000,000 and individuals $3,500,000. ➔

COMMENT:

On the one side (Guess which one): "Eliminating the death tax is a matter of basic fairness," "The death tax results in the double taxation of many family assets while hurting the source of most new jobs in this country - America's small businesses and farms."

On the other side (Guess which one): This is the Paris Hilton Benefit Act, a windfall for the wealthiest (or perhaps laziest) aristocrats.

MY TAKE?

I'd be happy to vote for repeal - if we ran surpluses - instead of the largest deficits in the history of the world.

I'd be happy to vote for repeal - if I thought that someone out there could tell me how my children and grandchildren - and yours - and your clients' - will pay the bills we've been running up.

I'd be happy to vote for repeal - if repeal wouldn't drain almost $750 BILLION away from Social Security, Medicaid, education, and veteran's benefits - in just the next 10 years.

I'd be happy to vote for repeal - if it didn't shift the tax to middle class folks who are wondering how they are going to send their children to college.

I'd be happy to vote for repeal - if this were honestly about REAL farmers losing the family homestead, closely-held business owners like your neighbors losing the family business, or workers thrown out of jobs because of the ravages of the federal estate tax.

I'd be happy to vote for repeal - if the public was told - without the gimmicks of sunsets and obfuscation of a complex and burdensome carry-over basis system - what repeal will REALLY cost - and WHO will have to pay.

I'd be happy to vote for repeal - if we had a clue when the unbelievable cash drain from our continuing wars in Afghanistan and Iraq would end.

I'd be happy to vote for repeal - if repealing this tax was a luxury we could presently afford. (Can you spell F-I-S-C-A-L-R-E-S-P-O-N-S-I-B-I-L-I-T-Y ? Can Congress?)

I'd be happy to vote for repeal - if I didn't truly believe that the very most financially fortunate people on earth didn't have a responsibility to "give back" to our great country - and to generations that follow.

I'd be happy to vote for repeal - if someone could tell me why a modification of the present exemption and perhaps a tweaking of the rates isn't the right thing to do under current circumstances. Setting exemption levels at $3.5 or $4 million per person is a lot of exemption per couple! It's more than fair. Add that to what George Cooper said so many years ago: The Federal Estate Tax is a voluntary tax, you can pay it if you want to but you don't have to pay it if you don't. Through the use of the annual gift tax exclusion, judicious use of trusts, prudent use of life insurance, and other relatively simple and certain tools and techniques available under current law, even those with estates well in excess of 7 or 8 million dollars could shift incredible amounts of additional wealth and assure much, much more than adequate financial security for future generations.

And...Oh Yes. I'd be happy to vote for repeal - if some total repeal - no compromise - proponents would have the guts to say what they really mean:

"MY WAY OR THE HIGHWAY"<br>
and if they don't like it,<br>
"LET'EM EAT CAKE!"

There may come a time when I'd be happy to vote for repeal.

But, it's NOT NOW!

HOPE THIS GETS YOUR DANDER UP! (And perhaps wakes up another newspaper or magazine reporter and gosh—maybe even a senator!)."

*—Steve Leimberg*

Steve Leimberg can be reached at:
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***"Darn it! I've spent too much money on ways to avoid the estate tax to have it end now!"***

## *Reform vs. Repeal*

**A recent report from the *Center on Budget and Policy Priorities* in Washington D.C concludes...**

**Many in Congress are looking to reform the estate tax rather than repeal it. Two possibilities: retain the tax in (1) its 2008 form when the exemption level will be $4 million for a married couple and the top tax rate will be 45%; or (2) its 2009 form, when the exemption level will be $7 million for a couple with a top tax rate of 45%. In 2011 (1) would result in 61% fewer estates being subject to the tax than if it were retained with the $1 million exemption level set in current law. (2) would result in 84% fewer estates subject to the tax. In other words, five-sixths of the estates that would otherwise be taxable would be exempt. At these higher exemption levels, very few small businesses and farms would be subject to the estate tax in 2011: 760 at a $1M exemption level; 210 at a $2 M level; and a grand total of 50 at a $3.5 M level. So much for the empty claim that estate taxes destroy thousands of family farms and businesses. It's never been so.** ■