

The Sensible Estate Tax Act of 2016 **by Peter Co**

On April 20, 2016, Congressman Sander Levin (D-MI), ranking member of the House Ways and Means Committee, and other Democrats including Sander Levin (D-MI), Steny H. Hoyer (D-MD), Charles B. Rangel (D-NY), Richard E. Neal (D-MA), John B. Larson (D-CT), Earl Blumenauer (D-OR), Bill Pascrell, Jr. (D-NJ), and Joe Crowley (D-NY), and Chris Van Hollen (D-MD) introduced bill H.R. 4996, titled the "Sensible Estate Tax Act of 2016" to return the estate, gift, and generation skipping transfer tax to 2009 levels.

Currently, a U.S. citizen or resident may transfer up to \$5,450,000 (or \$10,900,000 per married couple) in assets during his or her lifetime or at death free of gift, estate and generation-skipping transfer taxes (excluding transfers to spouses, charities, payments for medical or educational expenses). For transfers of assets over the \$5,450,000 exemption amount, a graduated tax beginning at 18% and topping out at 40% is applied.

Currently the gift tax exemption and the estate tax exemption is unified at \$5,450,000 per person, however in 2009 the estate tax exemption and the gift tax exemption were at different levels. In 2009, the estate tax exemption was \$3,500,000 per person with a graduated tax beginning at 18% and topping out at 45%. The gift tax exemption in 2009 was only \$1,000,000 and if a person transferred more than \$1,000,000 worth of assets during their lifetime, then a graduated tax beginning at 18% and topping out at 45% would apply.

The proponents of H.R. 4996 believe the 2009 gift and estate tax levels were more sensible because since 2002 the estate tax has been steadily weakened with the increasing exemption levels. The proponents of H.R. 4996 point out that in 2013 of the 2.6 million deaths in the United States, only 4,700 estate tax returns were filed reporting some tax liability - representing fewer than one-fifth of one percent of all estates owing any estate tax in 2013.

The proponents of H.R. 4996 estimate that rolling back the estate tax to 2009 levels would generate approximately \$161 billion over the 10-year budget window which could support investments in education, health and transportation.

Both the Democratic presidential candidates, Senator Bernie Sanders and former Secretary of State Hillary Clinton, support reducing the estate & gift tax exemptions and increasing the estate & gift tax rates. Thus, it'll be interesting to see how H.R. 4996 plays out in light of the pending presidential election.