



# Will Hower

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## INSIDE SCOOP ON ESTATE TAX REPEAL/ MINIMUM WAGE INCREASE BILL

Setting up for a November election fight, Republican leaders intent on passing legislation to permanently repeal the federal estate tax attempted to pass the bill by tying the legislation to projects Democrats might vote for. Alas, in the final hours of August 3, the legislation failed to survive a Senate roll call vote.

For those of you not following the drama, in 2001 President Bush signed a comprehensive tax bill into law that increased the federal estate tax exemption amount to \$3.5 million per person by the year 2009, with total repeal by 2010. In 2011 the estate tax is set to revert to the 2000 levels, which are \$1 million per person.

Because of the “Byrd Rule” in the Senate, full repeal could not occur without 60 Senator votes. For the past several years, the House has passed several estate tax elimination bills, only to be defeated in the Senate. Commentators have suggested that Republicans feel a new urgency to pass legislation to repeal the estate tax, as there is a general feeling that Democrats will gain House and Senate seats in the 2006 November elections, perhaps taking over one or both houses of Congress.

In recent weeks Republicans have tried to tie the estate tax repeal legislation to bills that include pension reform (which has mostly bipartisan approval) and now minimum wage increases (effectively increasing the minimum wage for the first time in a decade – something that Senate Democrats have been pushing for quite some time).

The combined estate tax repeal/minimum wage increase bill had a lot of goodies in it to entice Senate Democrats. Those inducements included a qualified timer capital gain decrease (something near and dear to the hearts of Senators Maria Cantwell (D-WA) and Patty Murray (D-WA)); tax deductions for spousal travel (favored by Senator Daniel Akaka (D-HI)); and mine safety

training and equipment tax credits (supported by Senator John D. Rockefeller (D-WV)). Despite these incentives, the Democrats didn’t budge, and the vote failed 56-42 with two not voting. We can look forward to additional efforts by Republicans to seek estate tax repeal between now and the November elections.

Steve Leimberg, an estate planning guru and author on many books on the subject, wonders on his website why the Congress doesn’t compromise on estate tax reform itself. He suggests a “40-4” system – with a 40% top marginal rate and \$4 million per person exemption – indexed to inflation. Very few Americans would be subject to an estate tax if the total amount that a married couple could shield from the tax was increased to \$8 million – particularly with expert planning.

If such a system were objectionable, how about a “30-3” system – with a 30% top marginal rate and a \$3 million exemption indexed to inflation?

Finally, Leimberg offers a great suggestion – offer a zero estate tax – but only in any year that the federal budget is either balanced or in surplus position! Leimberg writes, “That would certainly provide a strong and direct incentive for those in a position of influence (and who has more influence than the wealthy?) to encourage Congress to keep us fiscally sound. Just think – ALL of our children and grandchildren would then inherit – less debt and a great fiscal responsibility example to follow!”

As the Congressmen shout over scripted applause and standing ovations during a State of the Union address – “Hear! Hear!”

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