



Poof Goes the Estate Tax?

Anna R. Valkovich, Esq.

In the early hours of March 23, 2013, the United States Senate did something that it had not done since before the release of the iPad: it passed a budget. The Senate also passed dozens of amendments to that budget. Among these was S. Amendment 693, sponsored by Sen. Mark Warner (D-VA), which calls for the revenue-neutral repeal of the estate tax. The measure passed with a vote of 80-19, while a similar amendment calling for repeal regardless of revenue neutrality failed on a 46-53 ballot.

To many, this discussion seems like déjà vu all over again. Readers may recall that the estate tax was a hot topic of debate leading up to the Fiscal Cliff. The tax was set to revert from a lifetime exemption of \$5 million (indexed to inflation) with a 35% tax rate to the pre-Bush tax cut lifetime exemption of \$1 million and 55% tax rate. A last minute deal kept the \$5 million exemption and raised the tax rate 40%.

Though the revenue-neutral repeal of the estate tax has bipartisan support in the Senate, the future of the tax is by no means certain. As lawmakers debate the fairness and effectiveness of various strategies to reform the federal tax code, the estate tax plays an important role as a bargaining chip. Though the tax raises only a small percentage of gross tax revenue and affects fewer than two in a thousand estates,ⁱ the “death tax” is an emotional, highly partisan issue. Further, policy analysts see little appetite in Washington for revisiting such a contentious topic so soon after the drama of the Fiscal Cliff. Is the estate tax truly ripe for repeal? I, for one, am not holding my breath.

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ⁱ Urban-Brookings Tax Policy Center Table T11-0156