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Hillary And Bernie Want Higher Death Tax, Even On Prince

Bernie is still duking it out with Hillary, but on some issues, it almost seems as if they could be running mates. They agree on a lot. For example, they want higher estate taxes. Neither of them wants Trump or other wealthy Republicans to pass on their wealth to little Trumps without a deep and painful cut in favor of the feds. But could the Bernie-Hill duo actually want beloved Prince and his heirs to pay more? Surely it is easier to imagine a tax hike on the likes of Trump! In that sense, perhaps [Prince's death underscores the reasons to repeal the estate tax](#). Well, or at least not to *increase* it, as Bernie and Hillary propose.

After all, just look at how much of Prince's estate will go up in smoke. Minnesota has an inheritance tax of 16%. Add the federal estate tax of 40%. And Voila, the government gets more than half. Of course, that is under *current* law, not under the hike Hillary and Bernie want Congress to pass and President Obama to sign. That's right, they want more. Presently, estates worth \$5.45 million or less are exempt from federal estate tax. Beyond that, you pay 40%, on *top* of income tax.



Prince Tribute at the Warner Music Building in Burbank, CA on April 26, 2016. (Photo credit: David Edwards/MediaPunch/IPX)

Proponents of the death tax say it stops dynasties, but Prince's estate surely isn't in this category. And planning to avoid the estate tax—which Prince clearly did not do—is expensive and requires years of planning. It is now clear that [Prince did not do estate planning, and even died without a will](#). The estate tax catches many people unaware, even forcing sales of businesses and real estate. In 2013, Congress enacted a \$5 million per person exemption, indexed for inflation. It is now \$5.45 million, \$10.9 million for a married couple.

However, Hillary Clinton and Bernie Sanders [want to raise the estate tax](#) materially in multiple ways. [The so-called 'Sensible' Estate Tax Act of 2016](#) would increase the estate tax by cutting the estate tax exemption to \$3.5 million. It would also raise the tax rate from 40% to 45%, as detailed [here](#). Sen. Bernie Sanders is speaking from the same playbook with his [Responsible Estate Tax Act](#). [Hillary Clinton also pushes this change](#). In fact, the Democrats as a group could go even farther in their wealth redistribution efforts.

President Obama has even argued that a basis step up on death—for income tax purposes—is a huge loophole. He proposed that there should no longer be a basis step up. Such a drastic change would supposedly raise approximately

\$200 billion in revenue over the next decade. When combined with state estate taxes, the denial of the basis step-up for income tax purposes [would yield the highest estate tax rate in the world](#).

To be sure, the U.S. has many 'best in class' achievements. Yet even Bernie and Hillary might not like to have this particular accolade. Who wants to boast of a combined state and federal death tax of something hovering around 68%? Somehow, having [the world's highest estate tax](#) sounds pretty grim. President Obama's supposedly simpler and fairer tax code is described [here](#).

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.