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Hillary Clinton Vows 65% Estate Tax To Donald Trump's Repeal

Hillary Clinton wants to raise the estate tax up to an astounding 65%. Donald Trump wants to repeal it. On this issue, their views could not be more opposite. Plainly, Hillary's savvy move could bring in droves of Bernie supporters. But is it likely to pass or to collect large amounts? Probably not. Current law exempts estates worth \$5.45 million or less. Beyond that, you pay 40%.

Ms. Clinton previously called for whittling the \$5.45 million figure down to \$3.5 million, and upping the 40% tax rate to 45%. But those were modest hikes, and that was then. Now, with populist flair, she wants a 50%, 55%, and 65% rate. The 50% rate applies to estates worth over \$10 million per person, 55% for estates over \$50 million, and 65% for estates exceeding \$500 million. The new [proposed estate tax plan](#) makes her prior 40% to 45% hike seem inconsequential.



For Bernie fans, the deep 65% tax gouge has a familiar ring. Of course, most estate planning lawyers will say that the really big estates can find ways around many rules to at least materially reduce their impact. Yet that may be changing, with new administrative rules that make valuation discounts scarce and worth less. Planning to avoid the estate tax is expensive, and requires years of pre-planning. As a result, the estate tax catches many people off guard after they have worked and paid income tax their whole lives.

It can force sales of family companies, and sales of family farms and ranches. It can be a bitter pill to swallow, especially now. Americans finally got some certainty in 2013 with a \$5 million per person exemption. Indexed for inflation, it now stands at \$5.45 million, \$10.9 million for a married couple. Republicans still tout repeal. Conversely, [House Democrats want to raise the estate tax](#) materially. Some House Democrats want to restore the estate tax and gift tax rate and exemption level to the same amounts as in 2009.

[The Sensible Estate Tax Act of 2016](#) would slash the estate tax exemption to \$3.5 million and raise the tax rate to 45% as detailed [here](#). Moreover, not long ago, President Obama argued that allowing a basis step up on for income tax purposes on death was a huge loophole. He proposed *no* basis step up, hoping to raise approximately \$200 billion over the next decade. When combined with state estate taxes, the [President's proposal would yield the highest estate tax rate in the world](#). Small and family businesses could be particularly hard hit.

Already, it is hard for many family-owned businesses to stay afloat after the death of a key figure. Not all of the reasons are managerial. Many are financial, and taxes can force a sale. Stephen Moore of the Heritage Foundation calculated that by eliminating basis step up, we would end up with [the world's highest estate tax rate](#). Dick Patten, chairman of the Family Business Defense Council calculated an effective death tax rate of 57%. If you add in state inheritance taxes, the combined tax rate could go as high as 68%. The President's *simpler and fairer* tax code is detailed [here](#).

Of course, those studies were done before Hillary Clinton proposed her 50% to 65% tax. The astounding 50% to 65% rate hikes might rake in the votes. Trump wants to repeal the estate tax. Proponents of the estate tax argue that it helps to stop wealthy people from getting even wealthier. But given that income taxes must be paid on earnings that eventually make up the estate's value, opponents claim that the tax is a true double tax having no place in America. As Trump said on August 8, 2016 in Detroit:

6 No family will have to pay the death tax. American workers have paid taxes their whole lives. It's just plain wrong and most people agree with that. We will repeal it."

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