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U.S. Estate Tax Is 4th Highest At 40%, But Obama Wants To Make Us #1....At 68%

Most countries around the world are *reducing or repealing* their estate taxes. Thirteen countries or jurisdictions have repealed their estate or inheritance taxes since 2000. Fifteen OECD countries don't have one. But we sure do, and the slogan 'yes we can' may mean it's going up.

Already, America can boast that it has the fourth high estate tax rate in the industrialized world. Ours is 40%, so who is higher? Only Japan (55%), South Korea (50%) and France (45%). And a [new study](#) by the Tax Foundation says our whopping tax isn't even efficient.

The study says it does not raise enough revenue to justify the administrative, political, and economic costs of the tax. It is expensive and contentious. Repealing it would increase investment and add jobs, according to [Estate and Inheritance Taxes around the World](#). But President Obama wants to *improve* the situation in the other direction. Hey, we're number 4. Shouldn't we be number 1?



President Obama listens to Ireland Prime Minister, Taoiseach, Enda Kenny in the Oval Office on Mar. 17, 2015 in Washington, DC. (Photo by Dennis Brack-Pool/Getty Images)

Sure, we have a 40% estate tax. But the President says one 'loophole' that is egregious is step up in basis. Although assets upon death may be subject to estate tax, the assets are stepped up to market value for income tax purposes. Otherwise, one could pay both income and estate tax on the same dollars.

Calling basis step up a 'loophole,' the President thinks it is a scam wealthy people exploit. One of the justifications for grabbing more money is that the current unified estate and gift tax exemption of \$5.43 million per person is too high. So there would be no basis step up.

Regardless of whether this sounds fair, the dollars at stake are impressive. It would 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](#). That would be quite a distinction.

It is not an exaggeration to say that basis step up is a big issue and one that it seems unlikely Mr. Obama can kill. Small and family businesses might be particularly hard hit by such a change. 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.

Under the President's proposal, the estate tax would balloon. Stephen Moore of the Heritage Foundation calculates 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 calculates an effective death tax rate of 57%. If you add in state inheritance taxes, the combined tax rate could go as high as 68%.

Accounting firm Ernst & Young tracks estate taxes in 38 industrialized countries, finding that only Belgium is higher at 80%. Yet in most cases Belgium would be lower, providing a 60% rate to immediate family members. Not so in America, where you could build up your business and face estate tax and income tax. More about the President's simpler and fairer tax code can be found [here](#).

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