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House of Representatives Votes to Repeal Estate Tax

[ESTATE PLANNING, TAX](#)

BY [MICHAEL DARPINO](#)

The federal estate tax, originally established as part of the Revenue Act of 1916, has been a feature of the American tax system for nearly a century. If the House of Representatives has its way, the tax will not see its 100th birthday. On Thursday, April 16, 2015, the House passed a bill to repeal the federal estate tax in its entirety. H.R. 1105, the Death Tax Repeal Act of 2015, passed on a 240-170 vote, largely along party lines.

The passage of the bill has reignited a long-standing debate concerning the economic impact of the estate tax. Advocates of repeal argue that the estate tax is confiscatory in nature and imposes an unfair burden on the heirs of family-owned farms and businesses who may be forced to liquidate assets and lay off employees to pay the tax.

Those opposed to the bill cite the fact that the repeal is not offset with other revenue increases or spending cuts, and would thus increase the deficit and shift a greater share of the nation's tax burden onto the shoulders of less-fortunate Americans. Furthermore, opponents of repeal argue that the estate tax exemption level is significantly high that only 0.2% of estates are liable for any estate tax, and for the few estates that are large enough to incur liability, provisions in the Internal Revenue Code alleviate the burden on family businesses by permitting executors to pay estate taxes in annual installments over a period of a decade or more.

2015 Federal Estate Tax Rates

For taxpayers who die in 2015, the federal estate tax applies to estates with assets in excess of \$5.43 million for individuals or \$10.86 million for married couples. Assets above these thresholds are taxed at a top statutory rate of 40%. The exemption amounts are increased each year for inflation. The United States Congress Joint Committee on Taxation estimates that only 5,400 of the anticipated 2.6 million estates of decedents dying in 2015 will be subject to federal estate taxes.

Commentators agree that the vote to repeal the estate tax was largely symbolic and that H.R. 1105 stands little chance of becoming law. Although the bill was passed by the House of Representatives, a test vote held in the Senate in March came up 6 votes shy of the 60 votes needed to overcome a Democratic filibuster. Furthermore, President Obama has threatened to exercise his veto pen in the unlikely event the bill makes it to his desk. Past attempts to repeal the estate tax have also failed to generate sufficient bipartisan support to become law.

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