# Senator Sanders Introduces Estate Tax Bill: For the 99.5% Act

On March 25, 2021, Senator Bernie Sanders (I-Vt.) introduced legislation that, if enacted, would lower the estate tax exemption, raise estate tax rates and add higher tax brackets for larger estates. The proposed legislation, as well as potential changes highlighted in the Biden Tax Proposal, provides further insight into the significant gift and estate tax changes that could become law under the current administration.

The highlights of the proposed legislation include:

**Estate Tax Exemption** - A reduction of the federal estate tax exemption to $3.5 million per individual. This value represents the exemption level in 2009. The proposed new federal exemption is significantly lower than both the current $11.7 million exemption, as well as lower than the projected exemption at the sunset of the current legislation.

**Estate Tax Rates** – Larger estates would be subject to higher estate tax rates under the Act. Today's current rate of 40% would be increased to 45%.

| Taxable Estate Size: | Tax Rate: |
|---|---|
| From $3.5 - $10 million | 45% |
| Greater than $10 million | 50% |
| Greater than $50 million | 55% |
| Greater than $1 billion | 65% |

**Gift Tax Exemption** – Under current law, the gift and estate tax exemptions are unified. The proposed legislation would decouple the exemption and reduce it to $1 million. The new tax rates would also apply to gifts above the $1 million exemption.

**Indexing** – The current federal gift and estate tax exemption levels are indexed for inflation. The proposed legislation does not include an inflation indexed adjustment for the $1 million Gift Tax Exemption.

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**Annual Gifting** – Under current law, every individual (donor) may gift to any other individual (donee) $15,000 per year with no limit on the number of donees. The proposed legislation would limit a donor to $20,000 in total aggregate "annual exclusion" gifts (all individual gifts combined). In addition, any one donee is limited to receive $10,000 as part of the $20,000 combined total to qualify as an annual exclusion gift.

*NOTE: To the extent any gift does not qualify as an annual exclusion gift, the donor making the gift can utilize a portion of his or her lifetime gift tax exemption mentioned above to shelter the gift from taxation under either current law or proposed legislation.*

**Valuation Discounts** – The legislation proposes the elimination of available discounts (lack of marketability, lack of control , and key person) for entities such as Limited Liability Companies (LLCs) and Limited Partnerships (LPs).

While this is only a legislation proposal it does highlight the fact that estate tax changes are possible , perhaps likely, under the current administration.

**So, what should you do to prepare for potential changes?** The best way to prepare for future legislative changes is to have a strategic wealth plan in place and up to date. Whether it is passing a meaningful legacy to future generations, or ensuring that your philanthropic planning delivers social capital consistent with your values and wishes, a strategic plan provides the framework to consider how these potential tax changes might impact your financial situation. You are best able to respond to change when you're prepared for it.

Source: https://www.sanders.senate.gov/wp-content/uploads/For-the-99.5-Act-Text.pdf

## Conclusion

There is a significant likelihood that tax changes are on the horizon. How will future changes affect you and what should you do? Your Regions Wealth Advisor can help you evaluate and plan for potential changes. Together, we can build a financial framework to help you make informed, confident and effective decisions.

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