

# CLIENT ALERTS

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## The Latest From Congress on Tax and Related Fronts

4.20.2015

Congress just returned Monday. Much has happened this past week.

**ESTATE TAX:** Thursday, the House passed the Death Tax Repeal Act of 2015 (H.R. 1105). This bill would repeal the federal estate tax and the generation-skipping transfer (GST) tax.

Under the current estate tax system, the first \$5.43 million (indexed for inflation) is exempt from estate and GST tax. The top tax rate is 40%. The GST tax applies to transfers that skip a generation (e.g., grandchildren).

The provisions of H.R. 1105 are a stark contrast to President Obama's 2016 Budget Proposal, which would reduce the estate tax exemption to \$3.5 million and eliminate the "step-up in basis" at death. It would (1) exempt from tax at death \$100,000 of capital gain, plus \$250,000 more of capital gain on a residence; (2) exempt "inherited small, family-owned and operated businesses" from capital gains tax until the business is sold, and (3) increase the current 20% rate to 28%.

It is almost certain that, even if passed by the Senate, this bill would be vetoed with insufficient votes to override the veto. Thus this bill is being cast as more of a campaign issue.

While full repeal is highly unlikely, there has recently been some bi-partisan discussions, particularly in the House, of developing an estate tax exemption for small businesses and farmers.

**TAX REFORM:** Despite primary political attention to the budget and doc fix, tax reform momentum has not waned.

The Senate has focused on comprehensive reform through bi-partisan working groups. The House has addressed more limited tax related bills. The White House has criticized this piecemeal approach as undermining efforts to negotiate broad tax reform.

### Related Services

Estate & Succession Planning

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**ACA MEDICAL DEVICE TAX:** The Senate Finance Committee Healthcare Subcommittee will hold a hearing on April 23, 2015, on repealing the tax of 2.3% on certain medical devices at the time of sale by manufacturers and importers.

**BUDGET:** Both the House and Senate have adopted budget resolutions. Next is for negotiators to iron out the differences to get to a final budget for vote in both chambers. This would be the first bi-cameral budget since 2005.

It is unlikely that any budget deal will be reached before next week, but both houses took conference related action this past week.

The House budget would partially privatize Medicare. The Senate budget would simply make significant cuts to Medicare. House and Senate Republicans have a strong interest in reaching compromise and passing a bi-cameral budget resolution.

**DOC FIX:** Late Tuesday (April 14, 2015), the Senate passed House bill H.R. 2, which will avert a 21% cut to Medicare payments and eliminate the faulty Medicare payment system which has been in existence since 1997. The passage of this bill, which the President has stated he will sign, was a rare showing of bi-partisanship.

### **WHO IS THE SOURCE OF THIS INPUT?**

The Small Business Council of America (SBCA), the most effective lobbying organization regarding tax and related concerns for closely held businesses and their owners. The SBCA recently submitted written testimony to the House Ways and Means Committee opposing the President's proposal to eliminate the step-up in basis and reduce the federal estate tax exemption. Its representatives are regularly invited to testify at committee hearings, and regularly meet with Congressional members and their staffs. The author of this note has long been an active member of the SBCA board of directors.