
LIMRA analyzes potential impact of a new estate tax law

By Editor Test Wed, Sep 26, 2012

If Congress lets estate tax go back to \$1 million exemption/55% maximum, 14.7 million U.S. households would have a potential estate tax liability, with an average tax of \$1.4 million, LIMRA said.

Almost 15 million U.S. households (12.5%) could have a potential tax liability if Congress fails to act and the estate tax law reverts back to a \$1 million exemption and 55% maximum tax.

According to LIMRA's analysis of the Federal Reserve Board's *Survey of Consumer Finances*, only 4.4% of households have financial assets greater than \$1 million. But if the value of homes and other properties, privately-held business interests, and the face amount of life insurance are included in the value of the estate, far more families could be affected, the life insurance association said in a release.

LIMRA expects Congress to consider three proposals regarding the estate tax are:

- Let the estate tax law to revert back to a \$1 million exemption and 55% maximum tax.
- Extend the current law with a \$5 million exemption and 35% maximum tax.
- Enact a compromise of a \$3.5 million exemption and 45% percent maximum tax.

If Congress fails to act, 14.7 million U.S. households would have a potential estate tax liability, with an average estate tax of \$1.4 million, LIMRA said. About 55% of these households do not have enough life insurance coverage on the deceased to pay the tax, and would still owe an average of \$1.6 million.

If Congress extends the existing law, 2.4 million households (slightly higher than 2%) would potentially owe estate tax. At a 35% tax rate, their average tax would be \$2.4 million. LIMRA's analysis shows that 43% of these households do not have enough life insurance coverage to pay the tax and would still owe, on average, \$3.1 million.

If Congress agrees to the compromise of \$3.5 million exemption and 45% tax rate, 3.6 million households (slightly higher than 3%) might owe estate tax. The average tax owed for these families would be \$2.6 million. According to LIMRA's analysis, 53% of these households do not have enough coverage to pay the tax. On average, LIMRA calculates that these households would still owe \$1.6 million. On average these households would still owe \$3 million.