

Re: Estate Tax Amendments Passed in Senate FY2010

Last night, in a symbolic, non-binding gesture relating to the budget debate, the Senate voted 51-48 to approve an Amendment, proposed by Senator Jon Kyl (R-AZ) and Senator Blanche Lincoln (D-AR), that would provide room in the Senate Budget for a \$5 million exemption and a top rate of 35%. The exemption would be indexed for inflation, would also reunify the lifetime credit for the estate and gift tax, and provide portability.

While the outcome of the vote was somewhat surprising, it was mitigated by the passage of an Amendment introduced by Senator Dick Durbin (D-IL), by a vote of 56-43, which creates a point of order that would disallow any additional estate tax relief – beyond that which was contained in the President's Budget (Freeze 2009) – unless an equal monetary amount of tax relief was first provided to individuals earning less than \$100,000.

Most of what can be learned from last night's vote had been well known to AALU for awhile. There is an appetite in the Senate to go beyond Freeze 2009, but this will be mitigated by the majority in the House of Representatives who have shown a strong preference not to allocate additional revenues, particularly in this environment, on couples who have wealth starting in excess of \$7 million. It's important to note, yesterday's votes are nonbinding and it is very possible, if not likely, that they will be stripped from the final budget resolution when it is voted on at the end of April.

It's also notable that this vote, coupled with the proposal introduced by Chairman Baucus, reported on in our Bulletin 09-36, an overwhelming majority of the Senate Finance Committee has expressed support of reunifying the lifetime gift and estate tax exemptions. We continue to believe the Chairman Baucus' proposal strikes the right balance and we will be aggressively supporting it in our lobbying visits during the Annual Meeting. I hope to see you there!

Best Regards,

David J. Stertz, FLMI  
AALU CEO