Wealthy Californians (And Their Children) Can Breathe A Sigh of Relief

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Wealthy Californians, and more importantly, their children and grandchildren, can pop that champagne. The bill that would have imposed a California gift, estate, and generation skipping transfer tax appears to be dead – at least for now. It will not get a floor vote in the California Legislature. Absent a floor vote, the California bill will not obtain the required approval of the California Legislature to put it on the November 2020 ballot.

As discussed in our recent blog post, California currently imposes no gift or estate taxes and any law imposing such transfer taxes must be approved by the voters before it can take effect. In March, California State Senator Scott Wiener introduced a California bill that would have imposed gift, estate, and generation-skipping transfer tax on transfers during life and at death after December 31, 2020. If the California Legislature had approved the California bill, it would have been put before the voters at the November 2020 election for their approval.

Under the Wiener bill, all California transfer taxes would have been imposed at a 40% rate with a credit being granted for all transfer taxes paid to the federal government. The basic exclusion amount for each type of transfer would have been $3,500,000 and would not have been adjusted for inflation. This is in contrast to the federal regime, where the basic exclusion amount for each type of transfer is $11,400,000 and is adjusted for inflation. If the California bill had passed, estates valued in excess of $3,500,000 could have been subject to the California tax.

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