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Steinbrenner heirs could save millions from one-year gap in estate tax

Forbes estimated George Steinbrenner's personal wealth at \$1.15 billion last year. (Paul Hawthorne/Getty Images)

By Peter Whoriskey
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[George Steinbrenner](#) never had to synchronize his bat with a major league fastball, but in death, his timing was impeccable.

By dying this year, the New York [Yankees' billionaire owner](#) found the sweet spot in the U.S. tax code, exiting this earthly world during a year in which a congressional stalemate has allowed the estate tax to lapse, potentially saving his heirs hundreds of millions of dollars.

Had he died last year and tried to pass his fortune on to his children or grandchildren, they would have faced a 45 percent tax. Had he lived until next year, the rate would have been 55 percent. But Steinbrenner's death this year, like that of three other known billionaires who have died in 2010, gives his heirs a break.

[Forbes estimated](#) Steinbrenner's personal wealth last year at \$1.15 billion.

The year-long hiatus of the estate tax, which normally falls on the very rich, could cost the U.S. Treasury an estimated \$14.8 billion in 2010.

"In the midst of this terrible recession, the idea of giving billionaires a massive tax break is obscene," Sen. Bernard Sanders (I-Vt.) said Tuesday. "Already we have four billionaire families who are not paying taxes -- Steinbrenner's being the last one. Many billions are being lost. We have to address that reality right now."

The absence of the federal estate tax stems from the Bush tax cuts of 2001. The Senate Finance Committee has been wrangling over how to reinstate it. Three senators -- Sanders, Tom Harkin (D-Iowa) and Sheldon Whitehouse (D-R.I.) -- proposed a measure last month that would put in place an escalating tax on estates valued at more than \$3.5 million, rising to 55 percent, with an extra 10 percent levied on the estates of billionaires.

Opponents say the estate tax is unfair because it taxes income twice, once when it is earned and again when it is transferred to heirs.

Until the issue is settled, the temporary absence of the tax is complicating the financial plans of billionaires and their families and leaving open the macabre possibility that heirs will hope their benefactor will die this year rather than next.

"Because of Mr. Steinbrenner's public name and stature, his death may draw the attention of Congress -- they simply have to decide what do," said Henry Christensen, a partner in McDermott Will & Emery who is president of the International Academy of Trust and Estate Counsel. Christensen noted that Steinbrenner likely would have planned to reduce exposure to the estate tax by establishing trusts and family vehicles to

essentially bequeath his fortune early. Moreover, the amounts passed on to his wife or to charity on his death would be exempt from the tax. But had there been an estate tax in place, the amount of his estate subject to the tax could have been "substantial," he said.