



June 1, 2006

## **Faulty Equation: Repeal of Estate Tax Would Escalate Nation's Debt While Benefiting Multi-Millionaires**

### ***Senate Should Reject Proposal***

*By Ruth R. Ehresmenan  
Director of Budgetary & Health Policy*

In early June, the United States Senate will likely consider an equation that would be thrown out by any teacher worth his or her salt. On one side: a swelling federal deficit, deeper national debt, and likely cuts in education, health care, child care and other key services. On the other side: a very small group of millionaire heirs who become even wealthier because their inherited estate isn't taxed.

This unbalanced equation is at the heart of a proposal to permanently eliminate all or nearly all of the estate tax. Support for such an unbalanced proposal has been garnered through a combination of fear and distortion.

Let's consider the facts. The estate tax is currently being phased down. By 2009, only estates worth more than \$7 million for a couple (\$3.5 million for an individual) will owe any estate tax. That means only 3 of every 1,000 people who die will have an estate large enough to be taxed.

Estate-tax opponents claim that many small businesses and family farms have to be sold in order to pay the tax. The already small number of family-owned farms and businesses that owe any estate tax is shrinking. The Congressional Budget Office estimates that only 65 farms and 94 family-owned businesses in the *entire country* would have owed any estate tax in 2000 under the 2009 exemption level. The American Farm Bureau could not cite a single family farm which was lost because of the estate tax, according to the *New York Times*.

Opponents of the estate tax also claim that it forces families to pay too much of the estate's value in taxes. Actually, if the tax were retained in its 2009 form, estates worth

less than \$10 million would pay an average of only 12% of their value in estate taxes. The very largest estates would pay less than 25%.

Most importantly, a repeal of the estate tax would have a profound effect on the national budget. Permanently eliminating the estate tax would cost nearly \$1 trillion in the first decade after repeal. This would leave the nation short of funds to pay for critical services – everything from repairing bridges to defending the nation. It also would drive up our national debt, now at a staggering \$8 trillion; this is equal to \$28,000 in debt for every man, woman, and child in this country.

Let's consider this equation carefully. Is it wise to economic policy to plunge the nation into even greater debt while multi-millionaires get another tax break? Gutting estate taxes is neither fair nor smart. The U.S. Senate must reject this as bad math for a country badly in need of good solutions.

*The Missouri Budget Project is a statewide, nonprofit, nonpartisan organization that informs the public about the state's budgetary and tax policy options and their impact on low-income Missourians.*

