



## ESTATE TAX COVERAGE

### 1) **Washington Post**

Editorial | Death and Taxes

Tuesday, June 6, 2006

Arguments for abolishing the estate tax are plentiful, and unconvincing.

THE SENATE will debate whether to repeal the estate tax today, and the first decisive vote is expected Thursday. The House has voted in favor of repeal and the administration, which has pushed a temporary suspension into law, would be delighted to support permanent abolition; the Senate's voice will therefore be decisive. But the arguments for repeal are by turns wrong, muddled and internally contradictory.

Abolitionists say the estate tax forces the liquidation of family farms and businesses. In 2000, according to the Congressional Budget Office, 1,659 farms were liable for the tax, but fully 1,521 of these had sufficient liquid assets to pay without selling any land. In 2000, likewise, 485 taxable estates included a small business, but 321 of these could pay the tax without selling any of the firm. Moreover, heirs can spread estate tax payments over 14 years, so even those without liquid assets have plenty of time to take over the farm or firm, manage it productively, and thus generate the cash to pay the tax. So the estate tax wasn't forcing the fire sale of large numbers of family farms and businesses even in 2000, before the Bush tax cuts kicked in. Now that the amount that a couple can pass on tax-free has jumped from \$1.3 million to \$4 million, the mass-liquidation claim is even less accurate.

But it is also muddled. Suppose that the estate tax does force the sale of some farms and businesses; is that necessarily a bad thing? Well, it would mean that the heirs don't have the inclination or ability to manage the farm or the small business and turn a profit -- otherwise they would earn enough to pay the tax over the 14-year period. From the standpoint of job creation, it's a mistake to leave a farm or small business in the hands of heirs who don't know how to turn a profit on it; better that those assets be sold to purchasers who will maximize their value. Far from promoting a vibrant small-business and farm sector, the abolition of the estate tax would increase the number of businesses and farms that are managed by non-vibrant sons and daughters.

Meanwhile, abolitionists also claim that the tax doesn't raise much anyway, so why not kill it? Well, it's expected to raise \$776 billion in the decade starting in 2012; if abolitionists view this as chump change, how can they pretend it's ravaging a sector of the economy? The abolitionists also assert that a revision in the treatment of capital gains would offset the revenue lost by repeal of the estate tax, but Congress's Joint Committee on Taxation has analyzed this claim and found it empty. Finally, the abolitionists argue that the estate tax discourages saving: If you can't leave your money to your heirs tax-free, then why not go out and spend it? But people facing the estate tax -- basically, retired couples sitting on more than \$4 million -- are probably spending as much as they want to spend anyway. Besides, any small decrease in their savings is likely to be offset by the increase in government saving resulting from the tax, and by possibly higher saving by heirs, who won't spend so freely if their inheritance faces taxation.

In short, the exotic arguments in favor of abolishing the estate tax don't match the obvious ones for keeping it. The nation faces serious budget deficits, so why abolish a revenue stream? Inequality is rising,

so why kill the most progressive federal tax? The competitive and meritocratic basis for the nation's economic success is under threat, so why take action that would encourage hereditary elites to entrench themselves?

## 2) **The New York Times**

Editorial | The Estate Tax, Back on the Agenda

June 6, 2006 Tuesday

Still giddy over the passage last month of a \$70 billion income tax cut for affluent Americans, Senate Republicans are hoping this week to go further, and gut the federal estate tax. And they'll probably try to accomplish this gift to the super-rich under the guise of compromise.

Their fondest wish would be to permanently repeal the tax. But planning, during a time of war, to give away nearly \$1 trillion over 10 years may look too radical even for this crowd. So the senators are also considering a so-called middle-of-the-road approach. Sponsored by Jon Kyl, Republican of Arizona, the "compromise" would drastically raise the thresholds at which the estate tax kicks in, while slashing the estate tax rate. Together, those changes would cut taxes for the wealthiest families by \$652 billion between 2012 and 2021, the first full decade of the proposed cut. Because the government would need to borrow to make up for that lost revenue, the tax cut would also cost all taxpayers some \$175 billion in higher interest payments.

And for what? Fully 71 percent of the additional benefits would go to people who stand to inherit more than \$10 million. Almost all of the rest would apply to estates worth more than \$5 million.

There is no economic justification for doing this, any more than any tax cut can be justified when the economy is growing and the government is running a big deficit, as is now the case. The notion that small businesses and family farms are unfairly targeted by the estate tax is nonsense.

There is no moral justification for cutting estate taxes. Much of the wealth taxed after death has never been taxed because profits on stocks, bonds, real estate, artwork -- you name it -- are not taxed until an asset is sold. Obviously, people with big estates never got around to selling their assets.

And yet, some multimillionaires, and their Congressional supporters, have the gall to say that the wealthy should not be "penalized." Estate taxes imposed after one's death are no more of a penalty than income taxes withheld from paychecks.

Any senator who votes for this bill -- or to end an expected filibuster -- does not care about the budget deficit or tax fairness, no matter what he or she may say to the contrary.

## 3) **USA Today**

Editorial | Wealthy can't avoid death — but will they evade taxes?

Tuesday, June 6, 2006

Last year, Hurricane Katrina struck just as the Senate was about to vote on repealing the estate tax. Senators prudently shelved the issue, deciding it wouldn't look good to slash taxes for the wealthiest Americans when tens of thousands of poor people had lost their homes and livelihoods.

Now, with the Katrina coverage receding, the issue is back on the Senate calendar. A vote could come as early as this week. Estate-tax opponents concede they might not have the votes for outright repeal. But they still hope to reduce the tax rate on inherited wealth to as low as 15% from the current 46%.

That was a bad idea last year, and it's still a bad idea. Taxes must be paid by someone, and it is hard to think who they harm less than people who are both very rich and dead.

Ending the estate tax would reduce revenue between \$290 billion and \$745 billion over 10 years, depending on how the accounting is done.

How would that money be recouped? There are only two choices: Raise taxes on working Americans, or pass the cost on to future generations, already burdened by \$8.3 trillion in government debt and exploding costs for Medicare and Social Security. Either approach is unacceptable.

Ironically, the same reality that led to the adoption of the estate tax in 1916 — the concentration of wealth in the hands of a few families — might bring about its repeal. Families such as the Waltons, of Wal-Mart fame, and the candy-making Mars clan have supported lobbying campaigns to end the tax. The campaigns are focusing pressure on home-state senators, several of them Democrats who ordinarily proclaim themselves champions of the middle class.

Since the rich are an influential but limited constituency, estate-tax foes have used misinformation to convince farmers and small business owners that the issue concerns them. In fact, the truth is very different:

- Generous exemptions keep the vast majority of estates from paying what the opponents call the "death tax." This year, only 12,600 estates are projected to pay. That's a tiny fraction of 1% of all estates.

- It is not "double taxation," as some critics say. Most of today's fortunes are in shares of companies that have never been taxed because they haven't been sold. Bill Gates, for example, has about \$23 billion in untaxed Microsoft shares.

Estate-tax opponents argue that the rates are confiscatory. But there's no reason the tax on inherited, unearned income should be any lower than the top rate, which has varied from 38.6% to 35% in recent years, paid by highly skilled workers on their daily toil. And if there's to be any reduction, supporters have an obligation to say how they'll replace the revenue. In five years in power, Republicans have evaded that responsibility, adding more than \$2 trillion in debt with tax cuts and spending increases.

Some adjustments to the estate tax may be in order. Under current law, for example, it is set to expire for one year (2010) and then return in subsequent years. This creates some perverse incentives for people who have, or stand to inherit, vast fortunes.

When the tax comes back in 2011, the exemption would be \$1 million, or \$2 million per couple. Keeping it at its 2009 levels of \$3.5 million and \$7 million would ensure that any family farm or company that could truly be called a small business would incur little or no tax.

As they prepare to vote on what would be a huge windfall for the wealthiest Americans, senators should recall the sense of shame that prompted them to hold off last summer. Nothing has changed, except for the weather.

#### **4) Seattle Post-Intelligencer**

Editorial | Estate Tax: True cost of repeal  
Tuesday, June 6, 2006

[http://seattlepi.nwsourc.com/opinion/272811\\_estated.html](http://seattlepi.nwsourc.com/opinion/272811_estated.html)

Please, for a moment, suspend your American sense of fair play.

Assume that you are in a microscopic community, a member of one of the most prosperous families in the nation. You will one day be assessed a tax before inheriting vast wealth. Pretend that you really have a stake in the U.S. Senate moving forward with a repeal of the tax and are eager to see it so.

Now answer this: How will the country replace over one decade the trillion dollars in revenues lost by repeal?

"A vote to repeal or virtually repeal the estate tax would continue Congress' dismaying record of lavishing costly tax breaks on the very wealthiest while cutting services for struggling families in the name of deficit reduction," says Nancy Duff Campbell, co-president of the National Women's Law Center. "The Senate is about to vote on repeal of the estate tax, while the House moves forward with a budget for next year that would force cuts in health care, education, job training, child care and other essential services."

Then, Americans' sense of fair play runs deep. That's why the repealing the estate tax to benefit 7,000 to 12,000 people a year is poor public policy. Any tax cut that adds to the federal debt is outright immoral.

Repeal of the "death tax" is, in fact, a "birth tax," says Diane Lim Rogers, a scholar at The Brookings Institution. "This 'birth tax' is a true cost imposed on all American babies. It cannot be repealed, no matter how upset Americans eventually get about it."

Citizens should demand an end to the birth tax.

#### 5) **Salt Lake Tribune,**

Editorial | Rich get richer: Estate tax repeal would hurt (nearly) everyone  
Monday June 5, 2006

A society always gets more of whatever it subsidizes, whether it's corn, tobacco or the idle rich.

And subsidizing spoiled heiresses at the expense of, well, everyone else is the goal of those members of Congress who are pushing to greatly reduce, or even repeal, the federal estate tax.

Despite reams of data that show that the estate tax only touches the top 1 percent of U.S. taxpayers, and despite the fact that the Mom and Pop businesses and family farms of the sort that earn our sympathy simply are not affected by this tax, the repeal has already passed the House and was near approval in the Senate last year before Hurricane Katrina disrupted everything.

If the government took the money and burned it, then one could argue that the tax on estates worth more than \$2 million was just punitive class warfare. But because the money pays for things that benefit everyone, the government's 90-year history of taxing the transfer of large pots of money from one generation to the next is both reasonable and fair.

The main problem with killing the estate tax, which the Senate could vote to do this week, is that it would preserve great wealth for those who were born to it at the expense of people who could, given the chance, earn their own. government starved of the \$1 trillion that an estate tax repeal would cost over a decade would be hard-pressed to provide the educational, social, transportation and security infrastructure necessary for the talented to catch up to the lucky. The services it did keep up with would be more likely to be financed with debt, soaking up the capital the next great innovator would need to get his concern off the ground.

Bill Gates, the Microsoft billionaire, got super rich building upon a national foundation created, in significant measure, by taxing previous generations of super rich through progressive income and estate

taxes. He has wisely dispatched his father, William G. Gates Sr., to join one of the few people who is in his financial league, Berkshire Hathaway magnate Warren Buffett, in opposition to repealing the estate tax.

Gates and company know where their money came from, and where it ought to go.