

DEATH TAX

Time to Kill It Forever

Tax Increase Likely

- **Current Policy:** Congressional policy on the death tax has been to phase it out and then abolish it for close to a decade now. The 2001 tax cut began an eight-year phase out of the death tax. It lowered the rate from 55% in 2000 to 45% this year and increased the untaxed portion of estates from \$1 million to \$3.5 million. In 2010, it completely abolishes the death tax.
- **Back to Life:** The death tax only expires for one year, however. It comes back to life in 2011 at a 55% rate and \$1 million exemption.
- **Policy Change:** Some in Congress do not want to see the death tax go away. They are offering bills that would extend the death tax at its current rate and exemption level either for next year or permanently. Other approaches extend the tax permanently at 35% with a \$5 million exemption.
- **Tax Increase:** Extending the death tax for one year or permanently at either 35% or 45% is a steep tax increase, since current policy is to abolish it completely.



Economic Drag

- **Punishes Hard Work :** The death tax discourages saving and investing, undermines job creation, suppresses productivity and wage growth, contradicts the central promise of American life—wealth creation—and hurts those who have their savings tied up in land and other hard-to-sell assets.
- **Jobs Destroyer:** The death tax is a drag to the economy because it is a tax on capital, the fuel of economic growth. Recent estimates show that full repeal of the tax would create 1.5 million jobs.
- **Slams Family-owned Businesses:** Family-owned businesses are often asset-rich but cash-poor. They have equipment, real estate, and inventory that makes them appear valuable on paper. But they have comparatively little cash on hand. When a family member dies, the death tax is an enormous burden on them. Many have to sell their assets, or in some cases the entire business, to pay the tax. Or they must divert the precious cash flow they need to grow the business over many years to pay the tab.
- **Little Protection:** Often the only protection family-owned businesses have from the death tax are expensive life insurance policies. The premiums they pay for them are a boon to insurance companies but siphon off the cash these businesses need to grow and create jobs.

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- **High Cost:** The death tax is a drag on the economy and raises only 1% of all federal revenue. Estimates show it costs the economy more in lost growth than it raises in revenue.
- **Permanent Repeal:** Congress should stick with current policy and permanently repeal the death tax once and for all. Abolition of this harmful tax will help spur economic recovery, put unemployed Americans back to work, and increase the long-term growth potential of the economy.
- **Restore the American Dream:** Most importantly, repeal of the death tax would restore the American Dream that if you work hard and live a virtuous life, you can pass the fruits of your labor to succeeding generations of your family without fear that the government will take it away from them.

For more information, please visit: <http://www.heritage.org/deathtax>.