



## Congress Proposes Repealing Federal Estate Tax

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Senators John Thune (R-SD), and Chuck Grassley (R-IA) are introducing a bill to permanently repeal the federal estate tax. A companion bill is being introduced in the United States House of Representatives by Congressmen Kevin Brady (R-TX) and Sanford Bishop (D-GA).

Dan Mitchell, a Cato Institute senior fellow, says the estate tax is a destructive and immoral tax.

What makes this tax not only destructive, but also immoral, is the fact that these assets already have been taxed, both when the income was first earned and then oftentimes with additional layers of tax on interest, dividends, and capital gains.” Mitchell said.

### **‘Universal Agreement’**

Mitchell says the estate tax discourages investing and saving for the future.

“There’s universal agreement, encompassing every economic theory, even socialism and Marxism, that saving and investment are critical determinants of sustained economic growth,” he said. “The death tax, however, unambiguously requires the liquidation of private capital in order to pay tax.”

Mitchell says repealing the estate tax would have little effect on government revenue.

“Politicians resist the economic and moral arguments against keeping these taxes because they generally want more revenue,” he said. “Yet, the death tax only collects about \$20 billion per year, which is an asterisk considering overall revenues are nearly \$3.2 trillion.”

### **Drops in the Bucket**

Americans for Tax Reform Tax Policy Director Ryan Ellis, Tax Policy Director says potential revenue losses are not a good argument for keeping the estate tax on the books.

“The death tax raises almost no revenue for the government. If all the tax revenue collected by the federal government was represented as \$100, the death tax would amount to less than \$0.50 of that total, less than one-half of one percent. Washington officials would never even notice if it was gone, much less miss it.” Ellis said.

“Once the state is enriched, it rarely retreats back,” he said.

### **Tough Choices for Small Businesses**

Ellis says taxes like the estate tax force small business owners to make difficult decisions.

“All the activity of the business was understandably focused on the business itself. The business then faces some tough choices, when coming up with the death tax money,” he said. “Do they sell the business? Do they lay off employees, many of whom feel like family themselves? Do they cut wages or benefits? Do they let contracts expire?”

“None of these make business sense, all of them hurt real people, none of whom are rich,” Ellis said.