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Former U.S. Treasury Secretary Robert Rubin
Andrew Harrer/Bloomberg

Janet Whitman, Financial Post · Wednesday, Jul. 21, 2010

NEW YORK -- Amid worries about the United States' ballooning debt, the call for higher U.S. taxes is intensifying.

The latest push came Wednesday as a grandniece of the late Walt Disney, former U.S. Treasury Secretary Robert Rubin and hedge fund pioneer Julian Robertson all urged U.S. lawmakers to resurrect the United States' so-called death tax.

The tax — which for decades has collected revenue from the heirs of multimillion-dollar estates — lapsed at the beginning of this year because of a quirky loophole that was part of the tax cuts under U.S. President George Bush.

"Our country is on an unsustainable fiscal path," said Mr. Rubin, who is credited with engineering the end of a generation of budget deficits under U.S. President Bill Clinton. "A progressive estate tax can provide needed revenue with no adverse supply-side economic effect, and that revenue can then fund deficit reduction, additional public investment, or added assistance to those affected by the economic crisis."

To push for the reinstatement of the estate tax, Mr. Rubin, who made his millions as a partner at Goldman Sachs, participated in a teleconference Wednesday organized by United for a Fair Economy, a Boston-based, non-partisan advocacy group.

The group is bringing together dozens of high-profile, high net-worth individuals to advocate for an end to tax breaks for wealthy Americans like themselves

"America desperately needs to bring its budget more in line," said Mr. Robertson, founder of hedge fund Tiger Asset Management, who participated in the call. "Any move in that direction is favourable."

Mr. Robertson said that inheritors are the least deserving recipients of wealth. "There are many indications that inheritors often have trouble adjusting to their unearned inheritance," he added. "An inheritance tax would de facto help remedy this."

Walt Disney's grandniece Abigail Disney, who also participated in the call, said her family amassed its fortune because of the U.S.

system of taxation.

"After all, without reliable and safe roads there'd have been no Disneyland," she said. "Without high-functioning legal systems and a well regulated business environment there would have been no copyright protection for Mickey Mouse."

The recent death of George Steinbrenner, owner of the US$1-billion New York Yankees franchise, raised some ire by highlighting that rich Americans who die this year can pass on their fortunes to their heirs without paying a dime in estate taxes.

But Curtis Dubay, senior tax policy analyst at conservative think-tank the Heritage Foundation, said Mr. Steinbrenner's heirs won't be entirely off the hook because they'll have to pay capital gains taxes.

He added that wealthy Americans such as Warren Buffett who have come out in favour of the death tax have "hypocrisy that knows no bounds" because they've found ways to prevent their inheritors from paying such taxes, while millions of small business owners will remain on the hook.

"These people are discounting how great the impact will be on the rest of us who are not as rich as them," said Mr. Dubay. "When it hits a small business, it destroys jobs."

If it's reinstated next year, the tax rate is set to rise to 55%, with an exemption for estates worth less than US$1- million. The previous threshold was US$3.5-million.

Critics of the estate tax argue it will raise very little revenue — perhaps only US$25-billion a year — which won't be nearly enough to offset the harm caused to small businesses.

"Lawmakers would have figured out a way to pay for the recent extension of unemployment benefits if they were really concerned about the growing deficit," said Chris Edwards, director of tax policy at the Cato Institute, a libertarian think-tank.

A much hotter topic over the next few years will be the possible creation of a "value-added tax," or VAT, to help pay down the huge U.S. deficit, he said.

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