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Abolish the 'death tax'

Unfair levy punishes success, discourages savings, kills jobs.

By Dan Mitchell

If there were a prize for the most destructive tax, the death tax surely would be a prohibitive favorite.

Known to policy wonks as the estate tax, this levy is a punitive form of double taxation that penalizes people for trying to create a nest egg for their children.

The damage to families, though, is just the tip of the iceberg. The real problem, at least to economists, is that the death tax discourages economic growth by reducing saving and investment.

For all intents and purposes, the tax code sends a perverse message to America's entrepreneurs, investors, small-business owners and farmers: If you squander your money as quickly as possible, the government will not tax you. But if you behave responsibly and invest in the nation's future, the government will swoop in like a flock of vultures and grab a huge chunk of your money when you die.

This matters because every economic theory — even Marxism — agrees that capital formation is the key to growth. Higher living standards are possible only if people invest by setting aside some of today's income. But a punitive death tax, especially when combined with other forms of double taxation on capital gains and dividends, reduces the incentive to save and invest.

Scholars who have examined this issue estimate that the death tax has reduced America's stock of saving and investment by nearly \$850 billion.

Moreover, the death tax is a job killer, reducing employment by 1.5 million.

Ideally, the death tax should be abolished. Nations as diverse as Russia, Australia and Sweden have killed this unfair levy. But if the death tax cannot be killed, it should be reduced to the lowest possible rate. Sens. Jon Kyl, R-Ariz., and Blanche Lincoln, D-Ark., have proposed a 35% rate.

While this would be just a small step in the right direction, it certainly would be better than the spiteful 45% rate proposed by the Obama administration.

Dan Mitchell is a senior economist at the Cato Institute, a libertarian think tank.

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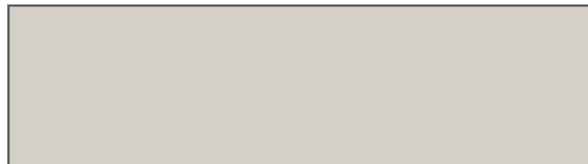
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RJeremy (2 friends, [send message](#)) wrote: 4d 15h ago

Forget clouding the issue with facts Mr. Mitchell, them's folks is the "greedy rich" and we need to make em bleed! After all the "honorable". Murtha, Reid, Byrd and Pelosi (among many) have their own pork,er stimulus, projects that need feeding.

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MoniqueDanaPoint (18 friends, [send message](#)) wrote: 4d 14h ago

"Punishes success"?

The whole argument is a crock. That is unless you consider Paris Hilton successful by her own achievement.

To suggest that an estate tax makes people save less is a joke. People (who think ahead) will continue to save what they can. What's left over when they die, they won't care about - because they will be dead.

That being said, I could go along with the 35% rate. Maybe less.

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Martin Dessures (0 friends, [send message](#)) wrote: 4d 10h ago

Whenever you hear someone refer to the inheritance tax as the "Death Tax" that term alone should always tip you that you're being snookered because a tax on inheritances is not a tax on death and it's also not, as they also lie, an attempt to eliminate double-taxation. Most of the income at issue here has never been taxed even once, and the super-rich have mounted this campaign to try and keep it that way.

The lies — and make no mistake about it; these are lies — include appealing to the dreams of the non-wealthy; to tell them that if they did someday inherit great wealth, as per their fantasies, the evil Death Tax would swoop in and take it all away from them, leaving them as poor as they were before...or poorer. Ergo, to protect that dream, they'd better throw their support behind the elimination of that tax. But in fact, taxes on inheritances under \$7 million have already been eliminated. This is just about the Rupert Murdochs of the world trying to make certain that much of their wealth is never taxed at all. Remember the very wealthy, very villainous Leona Helmsley? Caught cheating on her taxes, she was quoted by an associate as saying, "We [wealthy people] don't pay taxes...little people pay taxes."

Every buck the Helmsleys of the world didn't pay was a buck more that their gardener had to cough up. Don't let them pass the tax burden on to others.

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AlsoNewman (0 friends, [send message](#)) wrote: 4d 9h ago

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Ah yes ... the buzz words (since mushroom cloud has lost its cache) - Death Tax! Marxism! (would that be Groucho or Harpo?) Punative Double Taxation! Spiteful Rate of 45%!

Remember that the Obama estate would also be paying the same tax rate ... so I doubt there is very little spite involved ...

Then, let's just make up a number that most people can't prove "the death tax is a job killer, reducing employment by 1.5 million!"

Just exactly what did Caroline Kennedy do to earn the millions left to her by her parents ... who inherited it from their parents

Good topic for discussion but Dan Mitchell's rant isn't the place to start ..., too much emotion - too little real information ... you don't add weight to your argument with hot-button adjectives.

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criticalthought (25 friends, [send message](#)) wrote: 4d 9h ago

Legit Qs here.

Is there any normal transfer of money which isn't taxed - regardless of whether that money was 'already taxed'?

Also, for what reason did the nations listed abolish their estate tax and was it replaced with a different tax structure? For other nations which presumably have an estate tax, what changes have they made to increase or decrease the rate or actually originate their estate tax?

Finally, what distinction if any is made between various forms of inheritance? Is it on the value of items inherited, cash or tangible value or other?

Needless to say I'm not in the strata to worry about these things....yet. It's best to be prepared, no?

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body1 (0 friends, [send message](#)) wrote: 4d 8h ago

Do super rich people actually NEED to get even richer? Does it make them more happy? Does it really contribute anything to society except greed & excess?

The answers to these questions are obvious.

But those who worship money have lost their souls.

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Glycine (0 friends, [send message](#)) wrote: 4d 8h ago

Monique, 'envy' green is not a color that becomes you, it's discordant!

The 'crock-st' of this issue is

IMAGINE ...

... if "the state" stands to inherit much of your estate,

AND

... if "the state" also has authority over medical/health care for you,

THEN,

... I hope that "the state" loves you very very much (and not just you for your money).

The unintended consequences of 'the state' lusting over what remains of my estate when I'm old is frightnning!

Glycine

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knaug60 (5 friends, [send message](#)) wrote: 4d 8h ago

It's always fun to propose eliminating this tax or that tax. I would only support eliminating the estate tax if it was balanced by an equivalent tax somewhere else. Any takers? How about increasing the income tax to compensate?

Also, calling this tax an "inheritance tax" is not quite correct either because what is taxed is the total value of the estate above, currently, \$2 million, and after funeral expenses and other claims (debts) against the estate.

Personally, I project that my estate will be worth less than this cutoff when I die, so I do not have a dog in this fight. But if we abolish this tax, my own taxes must surely increase. So I ask again, which of my taxes do you propose to increase so that people with multi-million dollar estates can be relieved of this burden?

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knaug60 (5 friends, [send message](#)) wrote: 4d 7h ago

Glycine

Let me calm your "frightened" mind. Before you fall hook, line, and sinker for the half-truths of those who would abolish this tax, you would do well to read up on it.

http://en.wikipedia.org/wiki/Estate_tax_in_the_United_States
<http://www.cbpp.org/files/estatetaxmyths.pdf>

First neither you, nor Monique, nor me will likely pay a dime of estate tax because 99.7% of estates don't pay any. Why? Because the tax is only imposed on what's left in the estate after funeral expenses and paying off outstanding debts. If you die after a long illness, likely the medical community will get all of your estate, not the government.

But like I said, if we abolish this tax, I guarantee that the 99.7% of people who pay no estate tax will see their taxes go up, yours included. That should be what frightens you.

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knaug60 (5 friends, [send message](#)) wrote: 4d 7h ago

As to RJeremy's idea that Cato Economist Mitchell was clouding the issue with facts. That couldn't be farther from the truth.

1. He conveniently omitted that virtually nobody pays this tax.
2. He clearly overstates the level at which this tax discourages investment.
3. I suspect that his estimate of the impact on jobs is more opinion than fact.

So, no Mr. Mitchell is not clouding the issue with facts, but simply confusing it to make a political point.

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