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Opposing view: 'Death tax' destroys wealth

Congress should repeal levy that robs graves, hurts competitiveness.

By Dan Mitchell

The politicians in Washington impose double taxation on interest, dividends and capital gains, but the "death tax" wins the prize for being the most self-destructive part of the internal revenue code. Adding an extra layer of tax when someone dies is an unsavory combination of bad economics and immoral grave robbing.

The current policy is especially foolish since every economic theory — even Marxism — agrees that saving and investment are the keys to long-run growth and higher living standards. Simply stated, some of today's income has to be set aside to finance tomorrow's growth, much as a farmer has to save some of his seed for next year's crop.

The death tax (technically called the estate and gift tax) mandates the confiscation of as much as 45% of the wealth of entrepreneurs, investors or business owners. Economists warn that the death tax reduces the capital stock. That sounds like jargon, but it means all of us have lower living standards because of less investment, fewer machines, less technology and diminished innovation.

Ironically, other nations have figured out that the death tax does a lot of damage in a competitive global economy. Many people will not be surprised to know that a free-market paradise such as Hong Kong has eliminated its death tax, but it is certainly newsworthy that European welfare states such as Austria and Sweden also have repealed this unfair tax. Australia, Russia and New Zealand are among the other nations that have figured out how senseless it is to penalize wealth creation.

There may be a bit of good news on the horizon. Assuming Congress does not change the law, the death tax disappears in 2010. But since the death tax comes roaring back to life in 2011 (with an even higher tax rate of 55%), this creates a bit of a quandary. I'm sure the successful people affected by the death tax love their children, but how many of them are willing to jump off a bridge before the end of next year to keep the IRS from seizing the lion's share of their wealth?

Dan Mitchell is a senior fellow at the Cato Institute, a libertarian think tank in Washington D.C., and a former staffer on the Senate Finance Committee.

Posted at 12:21 AM/ET, October 01, 2009 in USA TODAY editorial | [Permalink](#)

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[BishopKingPawn](#) (17 friends, [send message](#)) wrote: 7h

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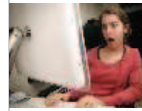
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54m ago

Yes, the author is right. Let's reduce the estate tax so that lazy kids can inherit millions while working stiffs have to pay more in taxes!

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Hall317 (1627 friends, [send message](#)) wrote: 6h 9m ago

It is my money. If I want to leave MY MONEY to my lazy-worthless kids; MY CHOICE! If I want to put all of MY MONEY in a pile and drop a match on it to roast marshmallows: MY CHOICE!! Stop this highway robbery, marxist, liberal Demorat graverobbing death tax immediately!!

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BishopKingPawn (17 friends, [send message](#)) wrote: 5h 44m ago

Re Hall: It WAS your money. By hypothesis, you're now dead. The question is, should lazy kids get this money without paying tax on it or not? Note, when hard working folks get money, we all pay tax on it. Why should lazy kids get an even bigger free ride than the millions we're talking about?

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Dogma2312 (8 friends, [send message](#)) wrote: 4h 5m ago

Whatever happened to pulling yourself up by your bootstraps. Start with nothing and show us your entrepreneurial skill.

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AlsoNewman (0 friends, [send message](#)) wrote: 3h 46m ago

You just know that the point of view is when the opening sentences talks about "death tax" ...

Quoted from the previous article - "Over the past 10 years, there has been a gradual recognition that it makes little sense to shower tax breaks on a tiny sliver of the nation's wealthiest citizens (only about 0.6% of estates were subject to the tax in 2008..."

I guess my kids don't have to worry ... that lets me out!

Bush administration couldn't even get this simple republican bill right!

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econ_girl (0 friends, [send message](#)) wrote: 3h 9m ago

The author is incorrect -- whether it's called "estate tax" or "death tax", the rate should be progressive (the more money, the higher the tax rate) and pretty high at higher levels. The policy goal is to thwart the creation of a hereditary elite in the U.S. Far more than any revenue considerations, federal policymakers should be deathly afraid of tax codes that encourage a multi-generational handing off of privilege. It's easy to see why, look at the rot that sets in to societies with strong class lines and generational wealth transfers (the U.K, Saudi Arabia). Even Bill Gates recognized it's better to hit the reset button for each generation, so that talent rises to the top, not inherited privilege (he is not passing on much to his children, so that they do not become estate groupies).

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jmac1013 (0 friends, [send message](#)) wrote: 2h 47m ago

BishopKingPawn (17 friends, [send message](#)) wrote: 5h 5m ago

Yes, the author is right. Let's reduce the estate tax so that lazy kids can inherit millions while working stiffs have to

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pay more in taxes!

=====
Taxes have already been paid on the estate. Why should a person pay tax again? BTW, it's not just wealthy that pay the death tax. The death tax crushes the middle class too.

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jmac1013 (0 friends, send message) wrote: 2h 42m ago
econ_girl (0 friends, send message) wrote: 22m ago
Even Bill Gates recognized it's better to hit the reset button for each generation, so that talent rises to the top, not inherited privilege (he is not passing on much to his children, so that they do not become estate groupies).

=====
Bill is passing on millions to his children. I think they'll be ok.

The class envy here is sad. I'm sure you'd all change your tune if had anything to leave your children.

Part of working hard and becoming successful is that you can provide for your family. Leave something after your gone. It's not right that reward for your hard work is that the government keeps 55% of your earnings.

Taxes are bad.

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knaug60 (5 friends, send message) wrote: 2h 18m ago
Trust the Cato institute to protect the wealthy elites in this country and sock it to the little guy. Talk about death panel conservatives, and well educated at that.

The proposition of the argument that this tax destroys wealth is refuted by the fact that the gap between the wealthiest few of us is increasing exponentially relative to the rest of us who are hoping these wealthy few don't export our jobs overseas to make even more money.

The bottom line for me is that even with this tax in place, the Uber-rich will remain so. But if you decide you need to coddle these people and remove this tax, then the taxes for the rest of us must be correspondingly increased to make up the difference. If that is not the ultimate in regressive taxation, I do not know what is.

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knaug60 (5 friends, send message) wrote: 2h 12m ago
jmac1013 (0 friends, send message) wrote: 29m ago
... The death tax crushes the middle class too.
and
...Taxes are bad.

=====
So, so wrong on both counts. Vanishingly few people actually pay inheritance tax, and virtually no one in the middle class has a multi-million dollar net worth when they die. I think Bill Gates is right and you are wrong on this one. Also, taxes are neither good nor bad, rather they are vitally necessary for our government to function and so that we can enjoy the freedom many so deludedly think they would have without taxes.

I so, so wish people like you would read up on the estate tax before parroting such blatant mis-information.

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