

What is the estate tax? – ICAN fact Sheet

...A tax on inheritance for the wealthiest (less than half of 1%) of Americans

The estate tax is a progressive and fair source of federal revenue, which has been an important piece of government funding for almost a century. The tax, which applies to only less than half of 1% of all estates, is levied on the transfer of an individual's property at the time of their death. Last year, the estate tax was levied on only 15,000 estates.

Who pays the tax?

...Only those who plan on passing on more than \$3.5 million

The estate tax comes with many deductions and exemptions. It is important to note that, in 2009, only individuals with estates worth over \$3.5 million (or couples with estates over \$7 million) pay any estate tax. This threshold means that the **vast majority of estate owners pay no tax at all**. Furthermore, the tax is only levied on the estate's value after making allowable deductions such as debts and mortgages, administration expenses, and charitable giving.

The estate tax **only impacts the wealthiest** Americans. Since the first \$3.5 million of an individual's estate -and \$7 million of a couple's estate-is tax free, as few as 3 in 1000 people who die owe any estate tax. According to the IRS, in 2007, this was as few as 0.7% of U.S. taxpayers. As Bill Gates Sr. stated, "The reason the estate tax makes so much sense is that there is a direct relationship between the net worth people have when they pass on and where they live. The government that protects their business activities, the traditions that enable them to rely on certain things happening, that's what creates capital and enables net worth to increase."

Who benefits from the estate tax?

...We all do!

We all benefit from the federal revenue provided by the estate tax, as it goes to fund social services, public programs and federal infrastructure. The estate tax was set up with the recognition that America's wealthiest generally benefit most from public programs and infrastructure (i.e., gasoline subsidies, roads, education, environmental protection), and thus it is only fair that they contribute more to the longevity of these services.

What is the current state of the tax?

...Without government action we will lose billions of dollars in public revenue

In 2001, Congress and President Bush approved legislation that phased out the estate tax until it disappears in 2010. Then, if no action is taken this year, the estate tax comes back in 2011 with the same exemption and tax rates as in 2001.

While still hoping for a permanent repeal, many estate tax opponents are calling for a permanent 35 percent tax on estates larger than \$10 million. This policy, while it provides a tremendous break for America's most wealthy, leaves the rest of the country behind as our public program and infrastructure suffer the consequences.

The cost of repeal in 2012 alone would be \$42 billion dollars—nearly twice the budget of elementary and secondary education. It is in our public interest to preserve the estate tax.

Want to help preserve the estate tax?

If you are interested in getting more involved with ICAN, please email Amy Logsdon at alogsdon@iowacan.org or call (319) 354-8116.