

## **Estate Tax Lives Another Day—But “Compromise” Could Be Just as Bad**

Earlier today, a procedural vote in the United States Senate failed by a 57-41 vote, ensuring that the federal estate tax will not be fully repealed. Citizens for Tax Justice congratulates the U.S. Senators who decided today that estate tax repeal is not in the interest of the vast majority of Americans. The failure of today’s cloture vote sends an important signal to Congress and the Bush Administration that Americans are concerned about the growing inequality of wealth in America—and that we believe the estate tax can play an important role in preventing the creation of a new American aristocracy.

However, Senate tax writers are currently negotiating “compromise” legislation that could cost nearly as much as full repeal. Reducing the federal estate tax rate to 15 percent or even to the 30 percent top rate proposed most recently by Senator Kyl (R-AZ) would offer huge tax cuts to the largest estates, with little or no benefit to smaller estates. We urge Congress to abandon these ersatz “reform” efforts. Instead of enacting further tax cuts, Congress should undo the damaging estate tax cuts enacted, at the Bush administration’s request, in 2001.

The 2001 estate tax cuts were based on misleading, inflammatory rhetoric about the alleged impact of the tax on small businesses and family farms—but legislation signed into law by President Bill Clinton in 1997 took important steps to shelter these groups from the estate tax. Even before Congress passed the 2001 estate tax cuts, fewer than 2 percent of the very largest estates owed any federal tax—and effective tax rates on these wealthiest estates averaged about 25 percent, far from the allegedly confiscatory 55 percent tax rates cited by estate tax opponents. Congress should allow the estate tax break currently in effect to lapse and return to the rules that were in place before President Bush was elected.

“In a deficit-spending environment, any ‘tax cut’ is really just a ‘tax shift,’ ” said CTJ Director Robert S. McIntyre. “And the trillion-dollar price tag of permanent estate tax repeal would be paid, in the end, by living American workers and consumers. It would be hard to design a more profoundly unfair tax deform than the schemes being discussed by the US Senate this week.”