

## Who Paid the Federal Estate Tax in 2005?

Newly-released IRS information on estate tax returns filed in 2005 indicate that as the estate tax moves towards its temporary repeal in 2010, only the very wealthiest Americans are affected by it. This analysis gives a quick overview of the new IRS data.

### What the IRS Data Say

In 2004, 2,429,024 Americans died. But only 18,431 of these decedents left behind enough to owe any federal estate tax in 2005 (when returns were generally due). This handful of taxable estates paid \$21.7 billion<sup>1</sup> in federal estate taxes.

- The 18,431 taxable returns represented just 0.8 percent of all the people who died in 2004.
- Most of the \$21.7 billion in federal estate taxes was paid by a very small number of the very largest estates. The 498 taxable estates worth over \$20 million paid more than a third of the 2004 estate taxes. And the 3,600 taxable estates worth over \$5 million were responsible for 72.6 percent of all federal estate taxes.

- While the top federal estate tax rate was nominally 48 percent for 2004 decedents, that's not the rate actually paid. Even for estates bigger than \$1.5 million (those who were required to file in 2005), only 12.4 percent of the net estates after expenses went to federal estate taxes. Some of the rest went to charity (11.2 percent) and state taxes (4.2 percent). But the lion's share, 72.2 percent, went to heirs.

- Even for the very largest estates, worth more than \$20 million, only 15.8 percent of the net estate went to federal estate taxes.

### Shares of total federal estate taxes in 2005

#### By size of estate

Less than \$1.5 million	—
\$1.5 – 2.5 million	7.2%
\$2.5 – 5 million	20.3%
\$5 – \$10 million	20.7%
\$10 – 20 million	15.2%
\$20 million or more	36.7%
<b>TOTAL</b>	<b>100.0%</b>

### Where the Money in Estates Goes

#### Dollar distributions of net estates after expenses (in billions) for all 2005 estate tax filers

Size of estate	Taxes		Friends & Family		Total net estate
	Fed Govt	States	Charity	Heirs	
\$1.5 – 2.5 million	\$ 1.6	\$ 0.8	\$ 1.6	\$ 35.3	\$ 39.3
\$2.5 – 5 million	4.4	1.3	2.1	31.3	39.0
\$5 – \$10 million	4.5	1.2	2.0	19.8	27.5
\$10 – 20 million	3.3	1.1	1.6	12.5	18.4
\$20 million or more	8.0	3.1	12.4	27.1	50.4
<b>TOTAL</b>	<b>\$ 21.7</b>	<b>\$ 7.4</b>	<b>\$ 19.6</b>	<b>\$ 126.0</b>	<b>\$ 174.5</b>

#### Shares of where the money goes

Size of estate	Taxes		Friends & Family		Total net estate
	Fed Govt	States	Charity	Heirs	
\$1.5 – 2.5 million	4.0%	2.1%	4.1%	89.9%	100.0%
\$2.5 – 5 million	11.3%	3.2%	5.3%	80.3%	100.0%
\$5 – \$10 million	16.3%	4.2%	7.2%	72.2%	100.0%
\$10 – 20 million	17.9%	5.6%	8.6%	67.9%	100.0%
\$20 million or more	15.8%	6.0%	24.5%	53.7%	100.0%
<b>TOTAL</b>	<b>12.4%</b>	<b>4.2%</b>	<b>11.2%</b>	<b>72.2%</b>	<b>100.0%</b>

Note: Total "net estates after expenses" means estates after all expenses and uses except federal and state estate taxes and bequests to charity and heirs.

Sources: IRS, Nov. 2006, with calculations by CTJ.

These modest federal estate taxes stem from several factors: Bequests to spouses and charity are exempt from tax. So is the first \$1.5 million of any remaining taxable estate. In addition, the federal tax rates are slightly graduated.

## Federal estate taxes in 2005

By size of estate, for all decedents

Size of estate	Total # of decedents	# with estate tax	% with estate tax	Average net estate*	Ave. federal estate tax (all)
Less than \$1.5 million	2,389,542	—	—	na	\$ —
\$1.5 – 2.5 million	21,347	8,668	40.6%	\$ 1,839,000	72,700
\$2.5 – 5 million	11,895	6,162	51.8%	3,276,000	369,800
\$5 – \$10 million	4,122	2,280	55.3%	6,663,000	1,089,300
\$10 – 20 million	1,358	822	60.5%	13,535,000	2,419,900
\$20 million or more	760	498	65.5%	66,353,000	10,474,100
<b>TOTAL</b>	<b>2,429,024</b>	<b>18,431</b>	<b>0.76%</b>	na	<b>\$ 8,900</b>

na = not available, because no estate tax returns were filed.

\*Net estate reflects estate after all expenses and uses except taxes and bequests.

Note: the main reason why so many estates worth more than \$1 million pay no tax is the spousal exemption.

**Sources: Internal Revenue Service and National Center for Health Statistics, with calculations by Citizens for Tax Justice.**

### Notes

1. The \$21.7 billion total federal estate taxes paid includes \$166 million paid in generation skipping taxes.