

United for a Fair Economy is a national, independent, nonpartisan, nonprofit organization.

UFE raises awareness that concentrated wealth and power undermine the economy, corrupt democracy, deepen the racial divide, and tear communities apart. We support and help build social movements for greater equality.

**United  
for a  
Fair  
Economy**

29 Winter Street  
Boston, MA 02108  
617-423-2148  
617-423-0191 (fax)  
www.faireconomy.org  
info@faireconomy.org

## President and Congress at Odds Over Estate Tax

### *President's 2008 Budget Still Reflects Permanent Repeal of Estate Tax*

President Bush is still planning for permanent repeal of the estate tax. His FY08 budget, released February 5, reflects zero revenue from estate tax sources starting in 2010. Speaking to groups such as the National Cattlemen's Beef Association in early 2007, Mr. Bush has continued to lobby for permanent estate tax repeal.

### **Congress Stakes Out New Turf**

The estate tax is shaping up to be an area where Congress is at variance with the president, similar to the Iraq war and concerns about dismissals of U.S. attorneys. On March 23, 2007, the Senate considered four separate budget amendments on the estate tax that aimed to end or sharply reduce the tax, rejecting all four. On March 21, the Senate passed the Baucus amendment to establish a permanently reformed estate tax at 2009 levels, by a vote of 97-1. See Table A for details of the rejected amendments. The Democrat-controlled House of Representatives is expected to turn around its 2005 position on the estate tax by 180 degrees, and support making 2009 estate tax levels permanent as well.

The Senate's actions represent a strengthening of the trend it exhibited as early as the summer of 2006, when it rejected two House-passed bills to repeal or sharply cut the estate tax.

The March 2007 Senate votes showed:

- Ten Senators took new positions on the estate tax. Increased numbers of Republican and Democratic Senators support estate tax reform rather than repeal.
- A majority of Senators support reducing the estate tax only if it does not increase the deficit.

- All the newly elected Democratic Senators opposed ending the estate tax, and all opposed reducing the estate tax if the change would add to the deficit.

### Ten Senators Changed Position on Estate Tax in March 2007

**For the First  
Time Opposed  
a Repeal  
Measure**

**For the First Time  
Voted for a Stand-  
Alone Measure to Keep  
Estate Tax**

Bill  
Nelson  
(D-FL)



Max  
Baucus  
(D-MT)



Blanche  
Lincoln  
(D-AR)



Benjamin  
Nelson  
(D-NE)



Ted  
Stevens  
(R-AK)



John  
Warner  
(R-VA)



Jon  
Kyl  
(R-AZ)



Richard  
Lugar  
(R-IN)



Max  
Baucus  
(D-MT)



Blanche  
Lincoln  
(D-AR)



Benjamin  
Nelson  
(D-NE)



Mark  
Pryor  
(D-AR)



George  
Voinovich  
(R-OH)



## Estate Tax Background

In 2007, estates of \$2 million or less are exempt from the estate tax (\$4 million for a couple). The tax rate on the amount of the estate over the exemption is 45%. On average, estates that are not exempt from the tax pay an effective 19%.

Repealing the estate tax would cost over \$1 trillion in the first 10 years of full implementation.

In 2007, the estate tax is paid by less than one-half of one percent of all estates.

In 2009, the estate tax exemption is scheduled to rise to \$3.5 million per individual (\$7 million per couple), with a rate of 45% on the remainder of the estate. Because of the higher exemption, the proportion of estates that pay the estate tax will decrease to 0.16% of all estates that year.

Estate taxes have been cut repeatedly since 2001, when the current law as proposed by President Bush went into effect. Under the law's sunset provision, the estate tax will be repealed for one year in 2010 and reinstated in 2011 at the 2001 level (exemptions of \$1 million per individual and \$2 million per couple, and a top tax rate of 55%).

## Sources:

"Share of Estates Taxed Falls to Fraction of One Percent", Fair Economy Backgrounder, January 2006 [www.faireconomy.org/reports/2006/estate\\_tax\\_share\\_falls.pdf](http://www.faireconomy.org/reports/2006/estate_tax_share_falls.pdf).

"The Estate Tax: Myths and Realities," Center for Budget and Policy Priorities, February 7, 2007 [www.cbpp.org/estatetaxmyths.pdf](http://www.cbpp.org/estatetaxmyths.pdf).

President Bush's FY08 Budget [www.whitehouse.gov/news/usbudget/blueprint/budtoc.html](http://www.whitehouse.gov/news/usbudget/blueprint/budtoc.html). See p. 33.

Table A

## Rejected Estate Tax Amendments • March 21 and 23, 2007

### The Nelson (NE) Amendment

Rejected 25-74, the amendment would have lowered the tax rate to 35% while raising the exemption to \$5 million. The deficit would not have increased under this plan.

### The DeMint Amendment

Rejected 44-55, this amendment would have permanently repealed the estate tax, increasing the deficit by hundreds of billions of dollars.

### The 1st Kyl Amendment

Rejected 47-51, this amendment would have lowered the tax rate to 35% and raised the exemption to \$5 million, and extended the tax cuts on capital gains and dividends.

### The 2nd Kyl Amendment

Rejected 48-51, this amendment would have lowered the tax rate to 35% and raised the exemption to \$5 million, but it would have increased the deficit by \$30 billion in the next five years.