



TRILLION \$ TRADE-OFF

THE IMPACT OF FEDERAL ESTATE TAX REPEAL IN OREGON

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President Bush and some representatives in Congress want to permanently repeal the federal estate tax, a tax that only falls on millionaire estates. The National Priorities Project examined the impact of estate tax repeal on the federal budget and the consequences for the states.

Eliminating this tax will cost the nation \$982 billion over the next 20 years.¹ With the federal government's mounting deficits, this nearly trillion dollar price tag means either more cuts in public services, or new tax hikes.

The people of Oregon deserve better choices. States depend upon federal tax revenues to pay for many critical services. Permanent repeal of the estate tax threatens Oregon with future cuts in already besieged programs. If the next 20 years of estate tax revenues were spent on the states instead of benefiting millionaires, Oregon's share would be, on average, \$444 million each year.²

What \$444 million could buy in Oregon:



2,081 public school teachers, AND



2,553 firefighters, AND



22,778 scholarships for university students, AND



health care coverage for 24,924 people.

Few estates in Oregon are subject to tax: Only the portion of estates above \$1 million for individuals and \$2 million for couples is taxed. But under current law, these minimum levels will increase to \$3.5 million and \$7 million, respectively, by 2009. That will mean that only about 65 estates will be subject to the tax each year.³ Some Congressional representatives who oppose estate tax repeal have proposed legislation that would make this increase effective earlier.

The Case for the Estate Tax



It's a progressive tax: Only the very wealthiest Americans pay the federal estate tax. The vast majority – about 98% – pass on their estates **without paying any federal estate tax.**



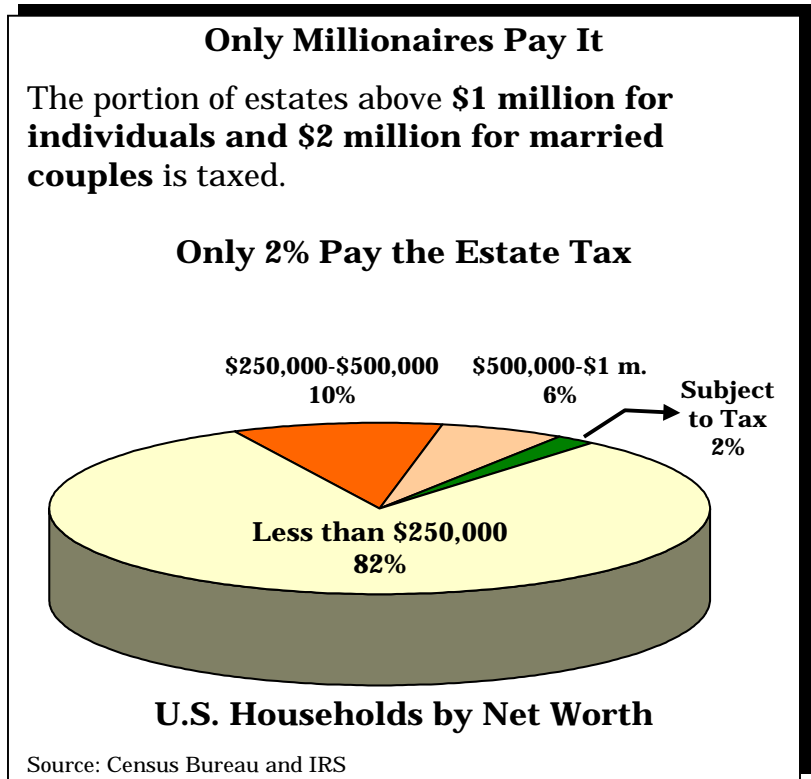
It ensures that all income is taxed: People who gain money on the stock market or through the rise in value of other assets such as real estate, pay “capital gains” taxes only when the asset is sold. If assets with capital gains are transferred through inheritance, those capital gains will have escaped taxes altogether. *Over half of estates worth \$10 million or more are made up of capital gains that have never been taxed.*⁴



The estate tax reduces the concentration of wealth and power: If the estate tax were repealed, about \$100 billion worth of stocks, real estate, cash and other assets *each year* would be transferred tax free to the heirs of the wealthiest families, undermining American values such as equality of opportunity and democracy.



Charities would lose: The estate tax gives the wealthy an incentive to leave some of their money to charities. Currently, charities in Oregon receive \$131.2 million in annual bequests, and an estimated \$77.4 million would be lost each year if the estate tax repeal becomes permanent.⁵



Notes and Sources: ¹Friedman, J. and A. Lee. (2003) ‘Permanent repeal of the estate tax would be costly, yet would benefit only a few, very large estates,’ Center on Budget and Policy Priorities. ²Each state’s potential share is based on the average annual loss of estate tax revenues in today’s dollars, according to each state’s population. Trade-off numbers are based on each state’s average salaries, cost of tuition at flagship state university and Medicaid spending. See NPP, ‘Trillion \$ trade-off: notes and sources’ available at www.nationalpriorities.org for more details. ³Quantria Strategies. ⁴Poterba, J.M. and S. Weisbender. (2001) ‘The distributional burden of taxing estates and unrealized capital gains at the time of death,’ National Bureau of Economic Research, No. 7811. ⁵Irons, J. (2003) ‘The estate tax and charitable giving: a state-by-state analysis,’ OMB Watch Tax and Budget Staff Papers.



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