
June 9, 2006

NEW JOINT COMMITTEE ON TAXATION ESTIMATES OF ESTATE TAX REPEAL SHOW SLIGHTLY HIGHER COSTS

The Joint Committee on Taxation this week released new estimates of the cost of making permanent the repeal of the estate tax after 2010. These estimates of the cost of H.R. 8, the measure that passed the House last year (and that the Senate voted on June 8 not to consider), show that permanent repeal would cost \$386.5 billion between 2007 and 2016. These estimates are slightly higher than the previous Joint Tax Committee estimates released in March 2006, which showed a cost of \$369.2 billion over this period.

The Center on Budget and Policy Priorities uses the Joint Tax Committee estimates to project the cost of repeal over the 2012 to 2021 period, because that is the first ten-year period in which ten years of the full cost of making repeal permanent are reflected in the cost estimates. (The estimates for the 2007-2016 period reflect only five years of the full cost of permanent repeal.) Based on the Joint Tax Committee's estimates from March — which until now have been the most current estimates available — we estimated a ten-year cost for the 2012-2021 period of \$776 billion in lost revenue and \$213 billion in higher interest payments on the debt, for a total budgetary cost of nearly \$1 trillion.

Based on the new Joint Tax Committee estimates, which are slightly higher than the previous estimates, our projection of the costs of repeal over the 2012-2021 period increases slightly to \$808 billion in lost revenue and \$222 billion in higher interest payments.¹ The total cost remains about \$1 trillion over the ten years. (As with our previous estimate, our revised estimate uses the Joint Tax Committee estimate of the cost of repeal for 2012-2016. For years after 2016, we assume that the cost, measured as a share of the economy, will be the same as the cost in 2016. Assuming that the costs of tax cuts remain constant over time, as a share of the economy, is a standard approach that revenue estimators use in making long-term budget projections.)

All CBPP papers written before June 9, 2006 use the earlier Joint Tax Committee estimates. Papers written on or after June 9, 2006 use the more recent and slightly higher estimates.

¹ The new estimates are available as an appendix to Joel Friedman and Aviva Aron-Dine, "New Joint Tax Committee Estimates Show Modified Kyl Proposal Still Very Costly: True Cost Partially Masked," Center on Budget and Policy Priorities, June 9, 2006.