

EXCERPTS FROM BILL GATES, SR., DURING A JUNE 1 CBPP CONFERENCE CALL BRIEFING ON THE ESTATE TAX

This is a tax we've had in this country since 1916 — it's almost 100 years old — and we've been getting along just fine in terms of people passing their business or farm on to their family. We have major companies in this country that have been through three generations. So to claim now that the estate tax is ruinous to people who want to pass a family business or farm on to their heirs is an extreme exaggeration. It is wrong to suggest that the entire estate tax should be brought down just because a tiny number of people have to do something they would prefer not to do in order to pay taxes to support their country. . . .

At one time this country was based on a progressive tax system, where those who were getting the most benefit were paying the largest amount in taxes. We're moving away from that in a very dramatic way. And without any doubt, the best example of a progressive tax is the federal estate tax.

The reason the estate tax makes so much sense is that there is a direct relationship between the net worth people have when they pass on and where they live. The government that protects their business activities, the traditions that enable them to rely on certain things happening, that's what creates capital and enables net worth to increase. The most significant ingredient of all is the federal government's investments in research and technological development. Some 30 percent of the growth of our gross national product every year is a function of new technology; that's largely where wealth is created. The rise in personal net worth is largely traceable to the federal government coming up with ideas for new technology that create wealth. And what are some of those ideas? Things like the Internet and jet engines and the human genome project — things that our government makes possible through its research. . . .

Given the fact that we have an unacceptable deficit, undeniable and huge demands resulting from our foreign involvement, and tragedies occurring here at home that need support from the federal government, it seems just plain irresponsible to talk about dismissing this particular source of federal revenue. . . .

Passing property along to a set of heirs is not all that different from selling something. We have a situation where liquidation is achieved by one of the parties to the transaction, which is a historic basis for imposing taxes to support our government. Imposing a tax on that particular transfer makes a great deal of sense because there is no great societal value that I'm aware of that flows from passing along immense wealth to our children. There is a considerable argument that this is not a plus for society. . . .

The fact of the matter is that the estate tax is collected in connection with the passage of wealth from one generation to another. It is not a tax on the deceased; it is effectively imposed on the heirs. I call it the "grateful heirs tax." It is an entirely appropriate tax, which I would describe as a due bill to those who have had the opportunity to enjoy such largess.