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## STATEMENT OF CHUCK MARR, DIRECTOR OF FEDERAL TAX POLICY, ON THE SENATE DEBATE ON THE FEDERAL ESTATE TAX

Today's Senate debate over whether to extend the federal estate tax or let it expire for next year is a study in irony.

Under current law, the estate tax, which has been reduced very significantly since 2001 and now only affects the biggest 1 of every 500 estates in America, will expire next year and then return to pre-2001 law. The Senate leadership has been trying to extend the tax's 2009 parameters beyond this year, preventing the scheduled rollercoaster of the tax over the next two years. Unfortunately, some senators have blocked that action, paving the way for the tax's expiration on December 31. They have refused to let the Senate extend the tax for a year — or even for just a couple of months. That's ironic for two reasons.

First, some of the same senators who say they will not vote to increase the federal debt limit on the grounds of "fiscal responsibility" have prevented the Senate from extending the estate tax. If it stands, their action will cost the government billions of dollars, all of which will go to the estates of the richest people.

Second, while many of these same senators claim they are protecting family farms and small businesses, many *more* farm and business estates of people who die in 2010 will face tax *increases* than tax *cuts* if Congress allows the estate tax to expire. That's because very few small businesses and family farms face the estate tax, but many small businesses and family farms have assets that have risen in value, such as their land or business. Under current law, many of these people pay no estate tax, and their capital gains taxes on that appreciated value are forgiven at death. But if the tax expires, their heirs could face capital gains taxes on the increase in the value of assets they may have acquired years or even decades ago.

Congress should extend the estate tax under its 2009 parameters rather than allow it to expire altogether next year. If Congress cannot work out a permanent solution on this matter now, it should, at a minimum, extend the current estate tax rules temporarily while it addresses the issue for the long term. That would keep the tax at already-low levels, prevent the government from accumulating more debt, and ensure that many farms and small businesses do not face new tax increases. But failure to act at all would be deeply irresponsible.

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