

NEWS RELEASE



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4,500 LARGEST ESTATES WOULD RECEIVE AS MUCH FROM BUSH TAX PLAN AS 142 MILLION AMERICANS

When fully in effect, the proposal to repeal the estate tax that is part of the Bush tax plan would provide as much in tax reductions to the 4,500 largest estates as the entire Bush tax plan would provide to 142 million people, according to a new analysis from the Center on Budget and Policy Priorities, a Washington, D.C. policy institute. The 4,500 largest estates and the 142 million people with the lowest incomes would each receive approximately \$28 billion under the plan in 2010, when estate tax repeal would be in full effect.

The study notes that Congress' Joint Tax Committee has estimated that estate tax repeal would result in a tax reduction of \$55.3 billion in 2010 and would account for nearly one-quarter of the overall tax cut the Bush plan would provide that year. IRS data show that in 1998, the most recent year for which such data are available, the 2,900 largest estates paid half of all estate taxes. The Center's study estimates that the 4,500 largest estates would pay approximately half of the estate tax in 2010. The study consequently finds that these 4,500 estates would receive a tax cut of \$27.65 billion in 2010 — half of the \$55.3 billion — if the estate tax is repealed. These 4,500 estates would receive average tax reductions of \$6 million each.

According to the study, the 81 million families with the lowest incomes, which contain 142 million people, also would receive \$27.65 billion in tax reductions in 2010.

“The fact that the estates of 4,500 very wealthy individuals — the wealthiest one of every 600 people who die — would receive as much in tax cuts as 142 million people raises significant questions about the proposal to repeal the estate tax,” said Isaac Shapiro, who co-authored the report with Iris J. Lav and Jim Sly. “For a fraction of the cost of repealing the estate tax entirely, it is possible to provide relief to the small number of taxable estates that include a family-owned farm or small business and make other modest changes in the estate tax. That way, more resources would be preserved to address pressing national needs.”

Members of some of the nation's wealthiest families have recently expressed

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opposition to repeal of the estate tax and urged that the substantial resources that would be dedicated to repeal instead be used to address serious problems the nation faces.

The Center's director, Robert Greenstein, commented that alternative uses of these resources could include shrinking the ranks of the 43 million Americans without health insurance, providing an adequate prescription drug benefit for elderly individuals, lifting more children out of poverty, helping to close the long-term financing gaps in Social Security and Medicare, or placing a portion of the projected surpluses in a reserve to guard against the all-too-real possibility that the projected surpluses may not fully materialize.

The Center's analysis also found that a total of approximately 64,000 estates — the estates of the most affluent two of every 100 people who die — would be subject to the estate tax in 2010 under current estate tax law. These estates all would have assets of more than \$1 million, since estates smaller than that amount are exempt from the estate tax starting in 2006.

If the estate tax is repealed, these 64,000 estates would receive combined tax cuts of \$55.3 billion in 2010. These estates would secure as much in tax reductions as 103 million families that contain 192 million people, the study said, or nearly three-fourths of all families in the United States.

The full text of this analysis, *4,500 Largest Estates Would Receive As Much From Bush Tax Plan As 142 Million Americans*, is available at the Center's web site, <http://www.cbpp.org/2-26-01tax2-pr.htm>

The Center on Budget and Policy Priorities is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.

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