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LATEST DATA ON MINIMUM WAGE WORKERS AND TAXABLE ESTATES, BY STATE

By Joel Friedman

The House passed legislation on July 29 that includes two unrelated policies. One would sharply reduce the estate tax; the other would increase the minimum wage to \$7.25 per hour. These two policies affect dramatically different populations. The estate tax reduction only affects the nation's most well-off households, while the minimum wage increase would boost the earnings of some of the lowest income workers in the country.

The following table provides data that illuminate this contrast. The first column presents estimates from the Economic Policy Institute, showing the number of workers in each state who would benefit directly from increasing the minimum wage to \$7.25 an hour in 2009, as would occur under the House proposal. EPI estimates that are 5.6 million such workers nationwide (workers who would earn less than \$7.25 an hour in 2009 if the minimum wage were not increased).¹

The second column shows the number of estates in each state that paid the estate tax in 2004, reflecting the most recent data from the Internal Revenue Service. In 2004, 30,200 estates paid the estate tax nationwide. Most of these taxes were paid by the estates of people who died in 2003, because there is typically a nine-month lag between when a person dies and when the tax is paid. In 2003, the estate tax exemption was \$1 million for an individual (\$2 million for a couple).

In future years, far fewer estates in each state will pay the estate tax, because the exemption level will increase significantly. Currently, in 2006, the exemption level is set at \$2 million for an individual (\$4 million for a couple), and it will rise under current law to \$3.5 million for an individual (\$7 million for a couple) by 2009. As a result of this increase in the exemption, the number of estates paying the estate will decline sharply. According to Urban-Brookings Tax Policy Center estimates, only about one-quarter as many estates will pay tax in 2009 as in 2004. The House bill would reduce the estate tax below its 2009 levels, gradually increasing the exemption level to \$5 million per individual (\$10 million per couple), with the additional cuts benefiting only the small number of estates — those of 3 in 1,000 people who die — that would pay any tax under 2009 law.

Thus the comparisons shown in the attached table do not fully convey the disparate impact of the minimum wage and estate tax policies in the House bill, because the number of taxable estates in 2004 is much greater than the number of estates that would face the tax if Congress simply continued 2009 law.

¹ These updated EPI estimates reflect the specifics of the House proposal.

Number of Workers Who Would Benefit from Minimum Wage Increase and Estates that Paid Estate Tax in 2004, by State		
State	Number of Workers Who Would Benefit from Minimum Wage Increase*	Number of Estates that Paid Estate Tax in 2004***
Alabama	126,000	278
Alaska	**	19****
Arizona	148,000	619
Arkansas	113,000	168
California	**	5,651
Colorado	85,000	251
Connecticut	**	640
Delaware	**	174
D.C.	**	131
Florida	207,000	2,912
Georgia	207,000	615
Hawaii	**	58
Idaho	39,000	93
Illinois	103,000	1,395
Indiana	143,000	414
Iowa	107,000	263
Kansas	105,000	183
Kentucky	133,000	231
Louisiana	274,000	91
Maine	**	124
Maryland	**	653
Massachusetts	**	985
Michigan	**	834
Minnesota	81,000	466
Mississippi	139,000	119
Missouri	178,000	484
Montana	33,000	60
Nebraska	53,000	200
Nevada	54,000	242
New Hampshire	**	168
New Jersey	129,000	1,112
New Mexico	68,000	100
New York	314,000	2,535
North Carolina	211,000	850
North Dakota	21,000	31****
Ohio	337,000	931
Oklahoma	113,000	252
Oregon	**	408
Pennsylvania	308,000	1,218
Rhode Island	**	101
South Carolina	179,000	263
South Dakota	29,000	60
Tennessee	151,000	315
Texas	863,000	1,427
Utah	81,000	64
Vermont	**	10****
Virginia	172,000	717
Washington	**	493
West Virginia	59,000	103
Wisconsin	124,000	602
Wyoming	17,000	62****
TOTAL	5.6 million	30,175

*Economic Policy Institute. Reflects workers who would benefit from a \$7.25 minimum wage in 2009. Available at <http://www.epinet.org/Issueguides/minwage/table7a.pdf>.

** Insufficient sample size to estimate precisely. In many of these cases, state minimum wages will be close to or above \$7.25 in 2009. In some cases, the number of workers affected by the federal minimum wage increase is small but not zero, so the state totals listed add to slightly less than the national estimate.

***Internal Revenue Service. Most of these taxable estates were subject to a \$1 million exemption level. Approximately one-quarter this number of estates will be subject to the estate tax nationwide when the exemption level rises to \$3.5 million in 2009.

****IRS estimates may be imprecise due to small sample of returns.