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Volume 15, Issue 16 | Report on Current Public Policy | October 29, 2009

NIGHT OF THE LIVING DEATH TAX

By Dennis Constant

“The idea of the government reaching into the grave and grabbing 37 percent to 60 percent of the wealth accumulated during a lifetime is ghoulish to many.” ð Owen Ullmann

In 2001, Congress passed President George W. Bushôs 10-year, $1.35 trillion tax cut, which included a steady reduction in the estate tax, widely known as the ñdeath tax.ò

The amount excluded from the tax manôs long, bony fingers was increased from $1 million to $3.5 million in 2009. Above the $3.5 million threshold, the tax rate on inheritances slowly decreased from 55% to 45%. In 2010, the estate tax disappears altogether.

But like a B-movie killer, the estate tax will return in 2011 just as strong as before. The rate is scheduled to shoot back up to 55% on the portion of estates over $1 million. Although it's likely that Congress will extend the 2009 rate and exemption level to avoid the stigma of raising taxes, there is little talk of ending this grave-robbing once and for all.

The federal estate tax was first imposed on a temporary basis in 1797 to fund an anticipated naval battle with France. It was re-imposed in 1862 to help finance the War Between the States, and again re-imposed in 1898 to help pay for the Spanish-American War. The tax became permanent in 1916 to help finance World War I and has been with us ever sinceð the death tax that refuses to die.

We are used to politicians taxing us to death. The least they can do is allow us to rest in peace.

This is first in a series of commentaries on the federal estate tax. Future articles will examine the effects of this tax on our economy and on small business owners.

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