



# The Poverty Institute

at the Rhode Island College School of Social Work

**FOR IMMEDIATE RELEASE**

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## **Local and National Groups say estate tax must be preserved if tax system is to remain fair**

*Concerns voiced over new discussions about the state and federal estate tax*

**PROVIDENCE, RI (December 3, 2008)** ---- Discussions about proposing changes to the estate tax at both the state and national level have raised serious concern among tax policy organizations here in Rhode Island and in the nation's capital.

According to The Poverty Institute and Citizens for Tax Justice, the estate tax must be preserved, especially during an economic crisis such as the one the federal and state government is facing. Yet, policymakers have signaled an interest in cutting estate taxes both in Rhode Island and at the federal level. Governor Carcieri has publicly suggested the tax needs to be cut, and his tax advisory workgroup is analyzing this option. At the national level, President-Elect Obama proposes to partially extend the estate tax cut enacted by President Bush rather than allowing this regressive tax cut to expire entirely.

"The estate tax is facing double jeopardy in the Ocean State. It is the most fair tax that we have and must be preserved to maintain a balanced tax structure that requires those with the greatest ability to contribute their share towards public services and infrastructure," said Kate Brewster, executive director of The Poverty Institute.

According to The Poverty Institute, very few Rhode Island heirs owe estate taxes. In 2005, just over 9,600 Rhode Islanders died. Estate taxes are usually paid during the year after an individual dies. In 2006, less than 450 RI estates filed state inheritance tax returns, which means less than five percent of deaths in 2005 resulted in estate taxes being paid to the state government in 2006.

Even fewer estates are affected by the federal estate tax. More recent data from the IRS show that only 40 estates out of 9,687 deaths in Rhode Island owed any federal estate tax in 2007. That represents 0.4% of estates.

While the estate tax does not affect ordinary Rhode Islanders, it provides essential revenue to fund vital public services that all Rhode Islanders benefit from, such as parks, schools, roads and public safety. In fiscal year 2007, revenues from the Rhode Island estate tax totaled nearly \$35 million.

President Bush enacted a cut in the federal estate tax that gradually reduces it (by increasing the amount that is exempt from the tax and reducing the tax rate) over several years until completely repealing the estate tax in 2010. Like almost all of the Bush tax cuts, this repeal of the estate tax expires at the end of 2010. This means that if Congress simply

does nothing, the estate tax will return in 2011 in a form closer to what existed at the end of the Clinton years.

President-elect Barack Obama has proposed to make permanent the estate tax rules that will be in effect in 2009 under current law, including a \$3.5 million per-spouse exemption. This would be an improvement in the sense that it would prevent the estate tax from disappearing. But it would be a regressive and costly giveaway to the very wealthiest families in America, because it would mean that the tax would affect even fewer estates than it does now.

“If we tax earnings from work, then why shouldn’t we tax transfers of large fortunes to those who don’t need to work because of the enormous wealth of their families?” Brewster said. “This is particularly important when you consider that most of the fortunes being transferred from one generation to the next consist largely of income (capital gains income) that has never been taxed at all.”

The federal estate tax was enacted in 1916 to prevent unhealthy concentration of economic and political power in the hands of the super-wealthy elite, noted Citizens for Tax Justice director Robert S. McIntyre. “Repealing this tax – or paring it back through compromise legislation – would remove this important backstop and open the floodgates to a new age of wealth inequality.”

For a link to the full report, visit [www.povertyinstitute.org](http://www.povertyinstitute.org).

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### **About The Poverty Institute**

The Poverty Institute is a non-partisan organization that develops and promotes policies to improve the economic security of low and modest-income Rhode Islanders and to ensure that tax and budget policies are equitable and adequate to fund vital public services. The Institute is housed at the RI College School of Social Work. Financial support comes from foundations, corporations, and individuals who care about social change and economic justice. For more information visit [www.povertyinstitute.org](http://www.povertyinstitute.org).

### **About Citizens for Tax Justice**

Citizens for Tax Justice, founded in 1979, is a Washington DC based public interest research and advocacy organization focusing on federal, state and local tax policies and their impact upon our nation.