

# One-Page Policy Brief



## Federal Estate Tax Revenues by the Numbers: Repeal the Estate Tax and Increase Federal Revenues

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**Summary:** The IRS reports that the estate tax raised \$24.8 billion in 2008 and the Congressional Budget Office estimates that the estate tax raises roughly one percent of the federal budget. At the same time, economic research shows that the estate tax imposes a disproportionate burden on small business and investor capital, hampering expansion and job creation. Lower economic growth results in a smaller taxable base, which reduces tax revenues.

- Internal Revenue Service reports that the estate tax raised gross federal revenue of \$24.8 billion in 2008 (the last year for which IRS data is available).<sup>i</sup>
- The estate tax accounts for roughly one percent of the federal budget.<sup>ii</sup>
- Economist Alicia Munnell, former advisor to President Clinton, states that proportionally, the estate tax may impose the highest compliance cost of all taxes.<sup>iii</sup>
- The Joint Economic Committee has estimated that the cost of the estate tax has reduced overall capital in the economy by \$847 billion over a ten-year period.<sup>iv</sup>
- Alicia Munnell and Henry Aaron wrote in a coauthored paper that estate and gift taxes in the United States “raise little revenue...impose large excess burdens.”<sup>v</sup>
- Former Treasury economist Steve Entin found that repealing the estate tax would increase net tax revenues by \$89 billion over ten years. Entin made his finding by calculating the impact of the tax’s heavy burden on capital and the consequent reduction in economic growth. This calculation shows that the payroll, income, corporate, and capital gains taxes would provide more revenue if the estate tax were repealed.<sup>vi</sup>

**Conclusion:** The estate tax is a poor source of tax revenue, barely raising one percent of the federal budget while reducing net tax revenues significantly. Estate tax repeal would allow family businesses to stop wasting money on estate tax avoidance and invest more in new technology, expand their operations, and hire more workers, resulting in economic growth and higher total tax revenues.

*Citations on reverse.*

## **Citations**

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<sup>i</sup> Internal Revenue Service, Source of Income Estate Tax Tables, 2008. <http://www.irs.gov/pub/irs-soi/08es01fy.xls>.

<sup>ii</sup> U.S. Congress, Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 2007-2016* (Washington, DC: Congressional Budget Office, 2005), 84.

<sup>iii</sup> Alicia H. Munnell, "Wealth Transfer Taxation: The Relative Role for Estate and Income Taxes," *New England Economic Review*, Federal Bank of Boston (November/December 1988): 19.

<sup>iv</sup> "Cost and Consequences of the Federal Estate Tax," Joint Economic Committee, May 2006.

<sup>v</sup> Henry J. Aaron and Alicia H. Munnell, "Reassessing the Role for Wealth Transfer Taxes," *National Tax Journal* 45, no. 2 (June 1992): 138.

<sup>vi</sup> Entin, Stephen "A Score of the Death Tax Repeal Permanency Act," American Family Business Institute, April, 2011, [http://www.nodeathtax.org/uploads/view/2502/a\\_score\\_of\\_the\\_death\\_tax\\_repeal\\_permanency\\_act.pdf](http://www.nodeathtax.org/uploads/view/2502/a_score_of_the_death_tax_repeal_permanency_act.pdf), 2.