

Latest State-by-State Data Show Why Obama Should Scale Back His Proposal to Cut the Federal Estate Tax

New estate tax statistics from the IRS show that the percentage of deaths resulting in federal estate tax liability is below one percent nationally and in most states and continues to fall. Under the tax cut enacted by President Bush in 2001, the federal estate tax is being reduced gradually over the decade (meaning the exemption for estates is gradually increasing while the tax rate is gradually decreasing) until it disappears entirely in 2010. Like almost all of the Bush tax cuts, the gradual changes in the estate tax expire at the end of 2010. If Congress simply does nothing, the federal estate tax will be repealed for 2010 but then return in 2011 in a form much closer to what existed at the end of the Clinton years.

President-elect Barack Obama has proposed a change that would prevent the estate tax from disappearing in 2010, but which would also unnecessarily cut the estate tax below the level it would reach in years after 2010 if Congress simply does nothing.

Number of Estates Owning Federal Estate Taxes in 2006 and 2007 by State

	# of Estates Owning Tax		% of Estates Owning Tax			# of Estates Owning Tax		% of Estates Owning Tax	
	2006	2007	2006	2007		2006	2007	2006	2007
Total United States	22,798	17,416	0.9%	0.7%	Missouri	371	222	0.7%	0.4%
Alabama	219	189	0.5%	0.4%	Montana	92	80	1.1%	0.9%
Alaska	*	*	*	*	Nebraska	62	58	0.4%	0.4%
Arizona	371	287	0.8%	0.6%	Nevada	144	119	0.8%	0.6%
Arkansas	142	82	0.5%	0.3%	New Hampshire	131	96	1.3%	1.0%
California	4,492	3,637	1.9%	1.5%	New Jersey	739	569	1.0%	0.8%
Colorado	210	180	0.7%	0.6%	New Mexico	75	101	0.5%	0.7%
Connecticut	399	393	1.4%	1.3%	New York	1,750	1,339	1.1%	0.9%
Delaware	83	36	1.1%	0.5%	North Carolina	523	379	0.7%	0.5%
District of Columbia	44	76	0.8%	1.4%	North Dakota	*	*	*	*
Florida	2,482	1,667	1.5%	1.0%	Ohio	790	425	0.7%	0.4%
Georgia	429	333	0.6%	0.5%	Oklahoma	196	180	0.5%	0.5%
Hawaii	131	75	1.4%	0.8%	Oregon	290	111	0.9%	0.4%
Idaho	48	76	0.5%	0.7%	Pennsylvania	732	578	0.6%	0.5%
Illinois	1,120	907	1.1%	0.9%	Rhode Island	111	40	1.1%	0.4%
Indiana	270	196	0.5%	0.4%	South Carolina	272	150	0.7%	0.4%
Iowa	237	158	0.9%	0.6%	South Dakota	46	51	0.6%	0.7%
Kansas	191	102	0.8%	0.4%	Tennessee	204	156	0.4%	0.3%
Kentucky	160	78	0.4%	0.2%	Texas	1,082	906	0.7%	0.6%
Louisiana	198	162	0.4%	0.4%	Utah	66	34	0.5%	0.2%
Maine	116	93	0.9%	0.8%	Vermont	47	65	0.9%	1.3%
Maryland	542	371	1.2%	0.9%	Virginia	657	573	1.1%	1.0%
Massachusetts	606	455	1.1%	0.9%	Washington	472	384	1.0%	0.8%
Michigan	551	480	0.6%	0.6%	West Virginia	163	76	0.8%	0.4%
Minnesota	230	221	0.6%	0.6%	Wisconsin	232	291	0.5%	0.6%
Mississippi	106	41	0.4%	0.1%	Wyoming	*	39	*	0.9%

* No estate tax figures are provided by IRS for these states in some years due to privacy concerns. These excluded figures are, however, included in the national totals.

Sources: IRS and Centers for Disease Control and Prevention.

The figures above show that about 0.9 percent of deaths in 2005 resulted in estate tax liability in 2006. (Usually the estate tax is paid during the year after the year in which an individual dies). They also show that only 0.7 percent of deaths in 2006 resulted in estate tax liability in 2007. The decrease is explained by the fact that the exemption increased, as scheduled under

the 2001 law, between these two years. In 2005, the first \$1.5 million (per spouse) in the value of an estate was not taxed, while in 2006 that exemption was \$2 million (per spouse).

In 2009 the per-spouse exemption is scheduled to increase to \$3.5 million and in 2010 the estate tax is scheduled to disappear altogether for one year. Advocates for tax fairness have called on Congress to act before 2010 to prevent the estate tax from disappearing. If the estate tax is allowed to disappear, they fear, Congress will find it more difficult to resist the lobbyists who will insist that repeal of the estate tax be made permanent.

Obama Proposes to Block Repeal of the Estate Tax — But Would Still Cut It Unnecessarily

President-elect Barack Obama has proposed to make permanent the estate tax rules that will be in effect in 2009 under current law, including the \$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.

The Estate Tax Does Not Threaten Family Farms and Businesses

Anti-tax activists and lawmakers have dubbed the estate tax the “death tax” and have convinced many people that it is destroying family farms.

This could not be further from the truth. The American Farm Bureau Federation, which lobbied for the repeal of the estate tax, famously admitted to the New York Times in 2001 that they could not cite a single example of a farm that had to be sold due to the estate tax.

To the contrary, family farms and other closely held businesses get additional breaks from the estate tax (in addition to the exemptions all estates get) including a provision that allows the tax to be paid off over a period of 14 years. The estate tax has always been confined to serving its actual purpose — reducing extreme concentration of wealth in the hands of a few super-wealthy families, and asking these families to contribute to the society that made their wealth possible.

A Fair Tax System Is Impossible Without an Estate Tax

Government provides public safety and national security. It provides education that results in a more productive workforce. It provides highways and bridges. It even funded the research that led to the creation of the internet. Looking at America’s millionaires today, one doubts that very many of them would ever have acquired their wealth if the government had never provided these goods and services. It’s entirely logical that the families who have accumulated large fortunes be asked to contribute more to the society that made these fortunes possible.

This idea is not new. President Theodore Roosevelt said, “The man of great wealth owes a peculiar obligation to the state, because he derives special advantages from the mere existence of government.”

But the need for the estate tax actually goes beyond that and goes to a fundamental question of fairness. A society whose government provides the goods and services necessary for wealth-creation must decide how to pay for them, which means we must decide what to tax.

We have decided to tax income from work through the federal income tax and payroll tax, which the vast majority of Americans are familiar with.

If we tax earnings from work, it would seem only fair that we also tax transfers of large fortunes to those who do not need to work because of the enormous wealth of their families. This is particularly true 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.

If the families who pass huge fortunes down through successive generations are no longer asked to help pay for the goods and services that make such wealth possible, then surely Americans will question whether ours is truly a country where hard work counts more than a family name.

Who Pays the Estate Tax in Alabama: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
530	487	278	198	219	189	1.2%	1.1%	0.6%	0.4%	0.5%	0.4%

Who Pays the Estate Tax in Alaska: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
56	37	19	4	*	*	2.1%	1.2%	0.6%	0.1%	*	*

Who Pays the Estate Tax in Arizona: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
858	430	619	261	371	287	2.1%	1.0%	1.4%	0.6%	0.8%	0.6%

Who Pays the Estate Tax in Arkansas: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
229	196	168	95	142	82	0.8%	0.7%	0.6%	0.3%	0.5%	0.3%

Who Pays the Estate Tax in California: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
8,365	7,280	5,651	4,044	4,492	3,637	3.6%	3.1%	2.4%	1.7%	1.9%	1.5%

Who Pays the Estate Tax in Colorado: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
689	645	251	240	210	180	2.5%	2.3%	0.9%	0.8%	0.7%	0.6%

Who Pays the Estate Tax in Connecticut: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,063	823	640	352	399	393	3.6%	2.8%	2.2%	1.2%	1.4%	1.3%

Who Pays the Estate Tax in Delaware: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
261	117	174	121	83	36	3.9%	1.6%	2.5%	1.7%	1.1%	0.5%

Who Pays the Estate Tax in District of Columbia: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
241	172	131	85	44	76	4.0%	2.9%	2.4%	1.6%	0.8%	1.4%

Who Pays the Estate Tax in Florida: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
4,424	4,242	2,912	1,801	2,482	1,667	2.7%	2.5%	1.7%	1.1%	1.5%	1.0%

Who Pays the Estate Tax in Georgia: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
668	804	615	352	429	333	1.1%	1.2%	0.9%	0.5%	0.6%	0.5%

Who Pays the Estate Tax in Hawaii: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
357	208	58	118	131	75	4.3%	2.5%	0.6%	1.3%	1.4%	0.8%

Who Pays the Estate Tax in Idaho: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
73	112	93	34	48	76	0.8%	1.1%	0.9%	0.3%	0.5%	0.7%

Who Pays the Estate Tax in Illinois: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
2,702	2,582	1,395	1,122	1,120	907	2.5%	2.4%	1.3%	1.1%	1.1%	0.9%

Who Pays the Estate Tax in Indiana: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,079	547	414	294	270	196	2.0%	1.0%	0.7%	0.5%	0.5%	0.4%

Who Pays the Estate Tax in Iowa: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
572	614	263	174	237	158	2.0%	2.2%	0.9%	0.6%	0.9%	0.6%

Who Pays the Estate Tax in Kansas: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
672	225	183	207	191	102	2.7%	0.9%	0.7%	0.9%	0.8%	0.4%

Who Pays the Estate Tax in Kentucky: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
591	478	231	186	160	78	1.5%	1.2%	0.6%	0.5%	0.4%	0.2%

Who Pays the Estate Tax in Louisiana: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
548	424	91	141	198	162	1.3%	1.0%	0.2%	0.3%	0.4%	0.4%

Who Pays the Estate Tax in Maine: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
162	288	124	88	116	93	1.3%	2.3%	1.0%	0.7%	0.9%	0.8%

Who Pays the Estate Tax in Maryland: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,001	817	653	548	542	371	2.3%	1.9%	1.5%	1.3%	1.2%	0.9%

Who Pays the Estate Tax in Massachusetts: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,375	1,299	985	706	606	455	2.5%	2.3%	1.7%	1.3%	1.1%	0.9%

Who Pays the Estate Tax in Michigan: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,527	1,173	834	401	551	480	1.8%	1.4%	1.0%	0.5%	0.6%	0.6%

Who Pays the Estate Tax in Minnesota: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
672	740	466	203	230	221	1.7%	2.0%	1.2%	0.5%	0.6%	0.6%

Who Pays the Estate Tax in Mississippi: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
231	139	119	89	106	41	0.8%	0.5%	0.4%	0.3%	0.4%	0.1%

Who Pays the Estate Tax in Missouri: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,191	830	484	336	371	222	2.1%	1.5%	0.9%	0.6%	0.7%	0.4%

Who Pays the Estate Tax in Montana: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
180	90	60	61	92	80	2.2%	1.1%	0.7%	0.8%	1.1%	0.9%

Who Pays the Estate Tax in Nebraska: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
605	303	200	153	62	58	3.9%	2.0%	1.3%	1.0%	0.4%	0.4%

Who Pays the Estate Tax in Nevada: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
118	171	242	191	144	119	0.8%	1.1%	1.4%	1.1%	0.8%	0.6%

Who Pays the Estate Tax in New Hampshire: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
138	204	168	114	131	96	1.4%	2.1%	1.7%	1.1%	1.3%	1.0%

Who Pays the Estate Tax in New Jersey: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
2,349	2,039	1,112	780	739	569	3.2%	2.7%	1.5%	1.1%	1.0%	0.8%

Who Pays the Estate Tax in New Mexico: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
182	275	100	128	75	101	1.3%	1.9%	0.7%	0.9%	0.5%	0.7%

Who Pays the Estate Tax in New York: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
3,963	3,438	2,535	1,720	1,750	1,339	2.5%	2.2%	1.6%	1.1%	1.1%	0.9%

Who Pays the Estate Tax in North Carolina: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,025	781	850	355	523	379	1.5%	1.1%	1.2%	0.5%	0.7%	0.5%

Who Pays the Estate Tax in North Dakota: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
80	124	31	35	*	*	1.3%	2.1%	0.5%	0.6%	*	*

Who Pays the Estate Tax in Ohio: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,706	1,508	931	497	790	425	1.6%	1.4%	0.9%	0.5%	0.7%	0.4%

Who Pays the Estate Tax in Oklahoma: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
709	420	252	173	196	180	2.0%	1.2%	0.7%	0.5%	0.5%	0.5%

Who Pays the Estate Tax in Oregon: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
384	488	408	192	290	111	1.3%	1.6%	1.3%	0.6%	0.9%	0.4%

Who Pays the Estate Tax in Pennsylvania: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
2,418	1,984	1,218	716	732	578	1.9%	1.5%	0.9%	0.6%	0.6%	0.5%

Who Pays the Estate Tax in Rhode Island: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
177	194	101	77	111	40	1.8%	1.9%	1.0%	0.8%	1.1%	0.4%

Who Pays the Estate Tax in South Carolina: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
400	498	263	165	272	150	1.1%	1.4%	0.7%	0.4%	0.7%	0.4%

Who Pays the Estate Tax in South Dakota: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
111	73	60	31	46	51	1.6%	1.1%	0.8%	0.5%	0.6%	0.7%

Who Pays the Estate Tax in Tennessee: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
662	660	315	209	204	156	1.2%	1.2%	0.5%	0.4%	0.4%	0.3%

Who Pays the Estate Tax in Texas: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
2,577	2,014	1,427	1,012	1,082	906	1.8%	1.3%	0.9%	0.7%	0.7%	0.6%

Who Pays the Estate Tax in Utah: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
191	166	64	53	66	34	1.6%	1.3%	0.5%	0.4%	0.5%	0.2%

Who Pays the Estate Tax in Vermont: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
185	62	10	33	47	65	3.7%	1.2%	0.2%	0.7%	0.9%	1.3%

Who Pays the Estate Tax in Virginia: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,268	1,381	717	547	657	573	2.3%	2.5%	1.2%	1.0%	1.1%	1.0%

Who Pays the Estate Tax in Washington: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
1,133	920	493	336	472	384	2.6%	2.1%	1.1%	0.8%	1.0%	0.8%

Who Pays the Estate Tax in West Virginia: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
250	163	103	70	163	76	1.2%	0.8%	0.5%	0.3%	0.8%	0.4%

Who Pays the Estate Tax in Wisconsin: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
803	647	602	284	232	291	1.7%	1.4%	1.3%	0.6%	0.5%	0.6%

Who Pays the Estate Tax in Wyoming: 2000-2007

# of Estates Owing Tax						% of Estates Owing Tax					
2000	2002	2004	2005	2006	2007	2000	2002	2004	2005	2006	2007
103	58	62	32	*	39	2.5%	1.4%	1.5%	0.8%	*	0.9%