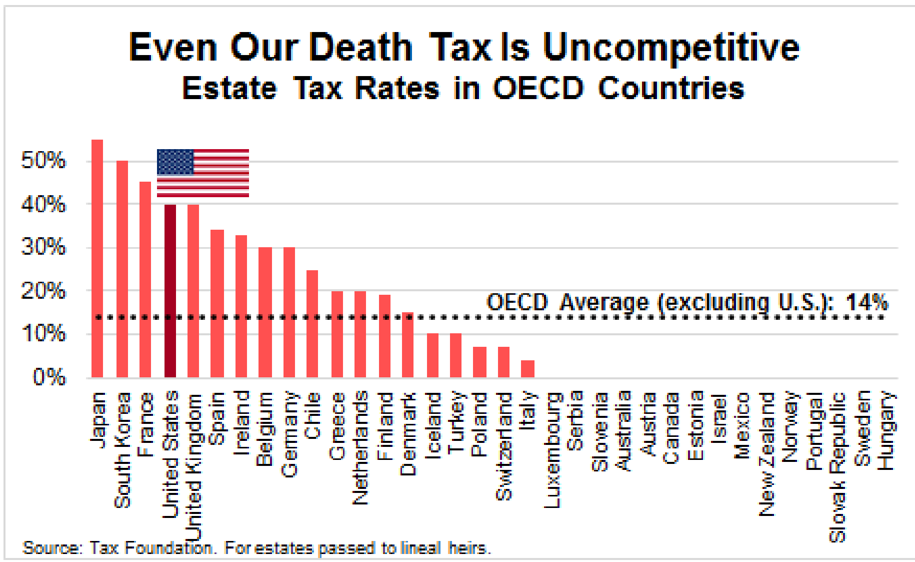
April 17, 2017

Ten Reasons to Reform the Tax Code

REASON #9: The death tax can be deadly for family-owned businesses and farms.

Uncompetitive double taxation. The tax code makes death a taxable event, imposing an estate tax of up to 40 percent on the value of assets owned by Americans when they pass away. This is the 4th-highest rate among developed countries. And like capital gains taxes, estate taxes amount to double taxation because they impose another layer of tax on assets that were likely taxed when the owner was living and could be taxed again if the assets are eventually sold...



Hurting family-owned businesses and farms. Supporters of the death tax argue that it only hits a relatively small number of estates because the first $5 million ($10 million for spouses and indexed for inflation) in assets are exempt. However, the value of farmland that has been in a family for generations or assets in a family business (such as a factory, equipment, and inventory) can quickly add up. In addition to grieving the loss of a loved one, families without cash to pay the tax may be forced to sell part or all of a farm or business to pay the government, causing a loss of jobs. Even if family businesses manage to avoid owing the death tax, owners waste considerable resources planning around the tax so the business can survive to the next generation.

Little revenue but heavy economic damage. Over the next decade, estate and gift taxes are projected to amount to only 0.6 percent of all federal revenues collected, yet they come with heavy compliance costs and damage the economy. In fact, Tax Foundation analysis of the death tax repeal contained in the 2016 House Republican tax reform blueprint found that it would boost the size of our economy by 0.9 percent over a decade. Ending the death tax is not only humane for grieving families but makes good economic sense.

To be continued…