RSC
Republican Study Committee
Rep. John Shadegg (R-AZ), Chairman
Neil Bradley, Executive Director
432 Cannon House Office Building
Washington, D.C. 20515
http://www.house.gov/burton/RSC/
(202) 226-9717

Message of the Week

June 5-11, 2002

Presented by Rep. Mike Pence (R-IN)

"Unless the death tax is permanently eliminated, families will once again be forced to face the most burdensome and immoral tax collected by the IRS."

- The House is scheduled to consider a bill (H.R. 2143) this week by RSC Member, Rep. Dave Weldon (R-FL), that would make permanent the elimination of the estate tax, otherwise known as the "death tax."

- In the Bush tax-cut package in current law, the death tax will be phased out over the next nine years and disappear completely in the tenth year.

- However, because the law expires (or "sunsets") after December 31, 2010, the death tax will return in full beginning January 1, 2011.

- In other words, if H.R. 2143 is not enacted, families who lose a loved-one on December 31, 2010, will pay no death tax, but families who lose a loved-one on January 1, 2011, will pay a massive death tax (as high as 60% in some cases).

- The death tax is perhaps the most ethically disgraceful tax levied by the federal government.

- The death tax, quite simply, taxes wealth owned at death. In other words, when you die, your surviving family has to pay a large tax (up to 60%) on what you own above $675,000 (this threshold and the accompanying tax rates are adjusted and phased out in favor of the taxpayer in the Bush tax-cut package). This amount of personal wealth may sound high, but very often people have bought a home and land whose value has increased significantly over time—often because of wise investments the family has made.

- In the United States, the *average* estate tax paid to the government in 1997 was over $435,000. So clearly, the death tax is not an insignificant tax, as critics of its repeal have charged.

- The federal estate tax that exists today was enacted in 1916 primarily to raise revenues for World War I but also because Congress thought it should prevent the transmission of wealth inequalities through inheritance. But World War One is long over, and the taxing of inheritances, besides being improper, is also harmful to a capitalist economy like ours.

- It is unethical and economically unwise to tax the savings of people who work hard, take risks, and invest in farms and small businesses. For some families, investing in a business is the only form of saving for the future. For many small business owners, every available dollar goes back into the business because it creates an income for the owners and assets for their children.

- When a grandmother wants to pass on her life-savings to her children and grandchildren, why should the government get any of those savings? Is it the government's job to, in effect, discourage this grandmother from saving and passing on all that she can?

- The death tax is often imposed on after-tax dollars—on savings left over <u>after</u> income and investments have *already* been taxed. Why does death justify taxing them again?

- Normally, the government taxes gains. Why does the government have any right to tax the ultimate loss?

- Critics say the death tax is not a major issue because it affects only two percent of the population. But if two percent of your friends were mugged at knifepoint, would that be acceptable? If two percent of the children in your local elementary school were beat up by bullies, would that be acceptable? When something is inherently wrong, it is wrong no matter how many people are affected.

- The death tax issue is not about how many people have to pay a certain tax. It is about the inherent impropriety of taxing death. Whether a family is rich, middle-class, or poor, it is wrong to tax what it has at death.

- Critics also claim that the death tax is only a tax on extreme wealth, not really on death. But the facts are clear. Death—not wealth—triggers the tax; <u>death</u> creates the new debt owed to the government.

- We must permanently lift this burden and free people from the unfair, unwise, and unjustifiable death tax.

For more information on making the death tax elimination permanent, contact Rep. Dave Weldon's office (R-FL) at 202-225-3671. See the attached sheet for a personal look at the death tax.

Danny Sexton: The Face of the "Death Tax"

From the Office of Congressman Dave Weldon, M.D. (R-FL 15th)

- Danny and his wife, Nancy, are owners of Kissimmee Florist in Kissimmee, Florida.
- Danny has 21-years experience in the floral industry.
- Danny comes from a family of florists and started in the business right after high school.
- Danny inherited his uncle Dee Earp's floral shop in the late 1990s.
- Death taxes totaled approximately $160,000, but that wasn't all of the costs.
- Danny was forced to liquidate all of his personal assets, lay-off staff, cut salaries, and take out a loan in order to pay the death tax.
- Danny also had to take out a line-of-credit just to keep the business in operation.
- Because of the need to pay the loan obligations, Danny was unable to put money back into the business to help it grow. Nor was he able to take care of many of the much needed repair work on the building.

$160,000	**Death Tax**
$ 60,000	**Lawyer's Fees**
$ 14,000	**Accountant's Fees**
$ 15,000	**MSC. Related Expenses**
$ 4,000	**Fee to Value Business for IRS**

$253,000

The Grand Total Cost Danny and Nancy Sexton were for forced to pay the IRS for the Death Tax

For more information about Danny and Nancy Sexton please call Pamela Groover at 202-225-3671.