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NEW STUDY ESTIMATES IMPACT OF ESTATE TAX ON ECONOMY

¾ Study Lays Groundwork for Tax Debate in 106th Congress ¾

WASHINGTON, D.C. – The federal estate tax has cost the American economy almost one-half a trillion dollars in capital stock this century, according to a new study released today by the **Joint Economic Committee (JEC)**. Entitled *The Economics of the Estate Tax*, the study examines the arguments for and against the federal estate tax and concludes that the tax generates costs to taxpayers, the economy and the environment that exceed its potential benefits.

“This study demonstrates that the estate tax imposes yet another level of punitive taxation on savings and investment, the very behavior that we ought to be encouraging,” **JEC Chairman Jim Saxton (R-N.J.)** said today. “It is my hope that the 106th Congress will enact additional estate tax relief and other pro-saving reforms like expanded IRAs and lower capital gains taxes.”

The study documents how the extremely high marginal tax rates — reaching as high as 80 percent in some instances — reduce incentives to save and obstruct the accumulation of capital. As a result, the estate tax has reduced the stock of capital in the economy by approximately \$497 billion thus far this century. The estate tax also adversely impacts family businesses, reducing employment and making their survival more difficult. The tax’s enormous liquidity demands and compliance costs further contribute to the destruction of environmentally sensitive land.

JEC member Mac Thornberry (R-TX), a rancher and author of legislation to repeal the inheritance tax, agreed with the study’s findings. “Part of the American dream has always been to work hard and leave a better life for our kids,” Thornberry said. “But in America today, the federal government has set up a roadblock by imposing an inheritance tax which stands in the way of people making the American dream a reality. With money from the inheritance tax currently accounting for barely 1 percent of all federal revenues, there can be little doubt that the inheritance tax produces too many headaches for too little return and should be repealed.”

Despite the substantial negative effects of the estate tax, very little is achieved by its existence. For example, the study demonstrates that the estate tax is ineffective at reducing inequality, and may actually increase inequality of consumption. In addition, the estate tax raises very little, if any, net revenue for the federal government, since estate tax avoidance activities likely generate equally large revenue losses under the income tax.

For a copy of this study, contact the JEC at (202) 224-5171 or view its website at <http://www.house.gov/jec/>.

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