

SENATE BILL REPORT

SJM 8005

As Reported By Senate Committee On:
Ways & Means, April 7, 2003

Brief Description: Requesting Congress to permanently repeal the estate tax.

Sponsors: Senators Benton, Swecker, Winsley, Mulliken, Honeyford, West, Hale, Esser and Schmidt.

Brief History:

Committee Activity: Ways & Means: 4/7/03 [DP, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Hale, Honeyford, Johnson, Parlette, Roach and Sheahan.

Minority Report: Do not pass.

Signed by Senators Brown, Doumit, Fairley, Fraser, Regala and B. Sheldon.

Staff: Terry Wilson (786-7433)

Background: The federal government imposes a tax on the transfer of property at death. This tax is known as the federal estate tax.

The federal estate tax was changed substantially by the Economic Growth and Tax Relief Reconciliation Act of 2001. The federal act reduces the federal estate taxes gradually until the tax is eliminated for persons dying in 2010.

All of the provisions of the federal act are effective only through calendar year 2010. In 2011, the federal estate tax reverts to the tax imposed before the act. Therefore, to continue the reductions in federal estate tax after that date, Congress must re-enact all or part of the act at some future date.

In the 108th Congress, numerous bills have been introduced to make the repeal of the estate tax permanent, including S. 169, H.R. 51, H.R. 57, and H.R. 139.

Summary of Bill: Elected Representatives and Senators in the United States Congress are requested to work to permanently repeal the death tax.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: The estate tax is not a tax on the rich. It mostly hits small business and family owned farms. The original intent was to make the wealthy pay, but they do not pay because they use trusts and other means to avoid the tax.

Testimony Against: This country needs an estate tax. Government helps create business wealth because of the roads, fire protection, police, and other services it provides that are necessary for a business to survive. This requires resources. This is not a death tax but a tax on the transfer of wealth. Only 2 percent of the population pay this tax. The threshold will be \$3.5 million by 2010. The average tax rate is only 17 percent. The top 0.1 percent of all taxpayers pay over 50 percent of the tax. Only 4 percent of small businesses are worth over \$3.5 million. There is no evidence that a single family farm has been lost because of this tax. The message should be to reform the tax not repeal it. Make the \$3.5 million threshold effective now. Eliminating the tax means that a greater share of the tax burden falls on others.

Testified: PRO: Senator Benton, prime sponsor; Mark Johnson, NFIB; Con: Lois Canwright, Charles Gust, Responsible Wealth.