

HJR

35

ALASKA STATE LEGISLATURE

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House of Representatives
House District 34

SPONSOR STATEMENT

HJR 35

Title: Relating to urging the United States Congress to amend the tax code to permanently repeal the death tax

HJR 35 requests that Alaska's Congressional delegation "support, work to pass, and vote for the permanent repeal of the death tax."

Since 1996 Congress has voted twice to repeal this 85-year-old tax. Currently, there are two major pieces of legislation being considered by Congress to repeal the tax (H.R. 330 and S. 275).

There is significant economic evidence to support the repeal of this regressive tax. A study completed by William W. Beach, a John M. Olin Fellow in Economics, has shown this tax disproportionately hurts:

- ◇ Women & minorities
- ◇ Farmers
- ◇ Workers
- ◇ Low-income people
- ◇ Small Businesses

Further, this same study found that this tax is more costly to collect than the revenue it generates. A 1994 analysis clearly demonstrated that "total compliance costs (including economic disincentives) amount to 65 cents for every dollar collected." The additional compliance costs means that in 2000 the \$27.8 billion collected actually cost the American taxpayers \$36.4 billion.



Key Issue: Taxes

Time to Repeal Federal Death Taxes: The Nightmare of the American Dream

by William W. Beach



Link to: | [Full Text](#) | [PDF \(315k\)](#) |

No. 1428

April 4, 2001

In 1996, few in Washington or around the country believed that repealing the estate, or death, tax was possible. Today, not only does it appear likely, but support in Congress is strong. The House is now considering a bill, H.R. 8, which the Ways and Means Committee passed on March 29, 2001, to phase out federal death taxes over a 10-year period. The leading reform legislation in the Senate is S. 275, the Estate Tax Elimination Act of 2001. This bill proposes to repeal all federal death taxes immediately, to exempt about \$3 million in family assets from capital gains taxation, and to tax intergenerational wealth transfers above this amount at the long-term capital gains tax rate of 20 percent. The leading immediate repeal bill in the House is H.R. 330, the Family Heritage Preservation Act, which already enjoys 179 cosponsors just two months after its introduction.

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Bolstered by President George Bush's own tax proposal that includes death tax repeal as a major element, Congress should make eliminating the death tax a priority this year. By majorities consistently above 60 percent since the last presidential campaign began, voters support death tax repeal. Evidence is growing that the death tax:

- **Reduces economic growth**, which hurts the jobs and incomes of the very people wealth redistribution was intended to aid;
- **Increases the cost of capital**, slowing research and development and investment in assets that would increase worker productivity and wages;
- **Keeps interest rates higher** on home loans and other major purchases;
- **Raises very little revenue**--in fact, the death tax may cost the government and

- taxpayers more in administrative and compliance fees than it raises in revenue; and
- **Leads to tax evasion.** Wealth distribution tax policy encourages well-to-do and middle-class families to find legal ways to avoid the tax collector.

The economic cost of the estate tax is many times greater than the revenue it produces, and its reach into American households extends far beyond those few who pay it. Every day, Americans make social and economic decisions with the estate tax in mind. Investing in a business is one way to save--for some families, the only way. Every available dollar goes into the family dry-cleaning business, restaurant, or trucking company, because the business creates an asset for their children and incomes for the owners. All of the financial security provided by these businesses is put at risk if the owner dies with a taxable estate.

Small-business owners, particularly minority owners, suffer anxious moments wondering whether the business they hope to hand down to their children will be destroyed by the death tax bill. Factories drone on with worn-out equipment that would be replaced if capital costs fell. Women whose children are grown struggle to find ways to re-enter the workforce without upsetting the family's estate tax avoidance plan. Rich people buy vacations and fine art rather than start new businesses and create more jobs, because the government will claim more than half of everything they cannot spend.

The Effects of Death Tax Repeal. While support for death tax repeal is growing, evidence that doing so would have good effects is also mounting. A new Heritage Foundation econometric simulation of estate tax repeal finds that it would lead an increase of 142,000 jobs per year over the next 10 years, growth in inflation-adjusted disposable income by an average of \$22 billion, and enough new taxable income that total federal revenues would fall by less than half the amount expected. This study confirmed the findings of a previous Heritage analysis in 1996.

A study conducted in 1993 by Richard Wagner of George Mason University found similar effects. Within eight years of eliminating the tax, annual production would increase by \$80 billion, creating an additional 250,000 jobs and \$640 billion more in capital stock. More recently, a study by the Institute for Small and Emerging Business found that immediate estate tax repeal and the introduction of capital gains taxes on intergenerational wealth transfers would see employment rise by an average of 131,000 per year, after-tax disposable income for average income households increase by an average of \$18.1 billion after inflation, and inflation-adjusted GDP jump four-tenths of a percent. Federal revenues, the study predicts, would recover from the "loss" of estate tax revenue by the fifth year following repeal.

Gary and Aldonna Robbins published similar results for the Institute for Public Innovation in 1999. Using the Fiscal Associates Tax Model, they found that death tax repeal would likely result in average employment gains of 112,000 jobs, federal revenues would recover completely by the seventh year, and much of this strong growth in revenue would come from the boost given to the nation's capital stock. Moreover, U.S. capital would be higher by almost \$1.5 trillion following repeal than it will be without it.

Certainly, given the relatively small amount of annual federal revenues raised, the complex estate and gift tax cannot be justified as playing an important role in financing the government. In fact, the unified estate and gift tax brings in less than 2 percent of total federal revenues.

Conclusion. The policy of using the estate tax to redistribute economic power leads to a distorted distribution of consumption and a less productive economy. Both of these unexpected outcomes worsen the economic condition of the less economically powerful. It is time for Congress to repeal this immoral tax on productivity, the nightmare of the American dream. Eliminating the estate tax will stimulate the economy, provide more jobs, and promote investment in the kind of equipment that elevates productivity and supports higher wages for American families today and increases long-term prosperity.

--William W. Beach is the John M. Olin Fellow in Economics and Director of the Center for Data Analysis at The Heritage Foundation.



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House SP CMTE WRLD TRADE & STATE/FED RELATIONS Minute



Apr 08, 1999

HJR 34-REPEAL ESTATE AND GIFT TAX

Number 0038

CHAIR BARNES announced that the first order of business was House Joint Resolution No. 34, relating to the federal estate and gift taxes. She asked Representative Coghill to come forward and testify on HJR 34.

Number 0090

REPRESENTATIVE COGHILL, JR., Alaska State Legislature, came forward to testify. He stated that HJR 34 was a resolution asking the federal government to speed up the process of H.R. 86 which would repeal the Internal Revenue Code of 1986, Subtitle B, and essentially eliminate the so-called "Death Tax". He said that HJR 34 was in existence because the estate tax in Alaska is tied directly to the Death Tax. He indicated that "any dollar that we get from the Death Tax or from the estate tax is directly tied to that federal law; for example, if we repeal our estate tax, then it all goes to the federal government."

REPRESENTATIVE COGHILL further explained that there is a motion in the United States Congress to repeal the Death Tax in order to ensure that American children receive the inheritance they are entitled to. He stated that HJR 34 is a way to convey that "from Alaska we think that taxing people after they have worked and actually paid taxes on the inheritance that they have is bad policy". He asked that the federal estate and gift tax be repealed in an expeditious manner.

REPRESENTATIVE COWDERY asked if limits existed on inheritance in Alaska. He wondered if it was "\$600,000 per person before a tax comes into place."

Number 0289

REPRESENTATIVE COGHILL replied that he understood it to be 20 percent of the federal tax. However, he believed that the federal tax would depend on the wage. The federal tax could range from 35 percent to 55 percent depending on the size of the estate.

REPRESENTATIVE COWDERY rephrased his question to ask whether or not there was an exact dollar limit on the size of the estate.

REPRESENTATIVE COGHILL responded that he did not believe a dollar limit existed.

REPRESENTATIVE GREEN agreed with Representative Coghill's response. He wondered if an exact dollar limit existed for state tax, though.

REPRESENTATIVE COGHILL replied that the computation at the state level is just 20 percent of whatever the federal requirement is.

Number 0415

SCOTT KOHLHAAS, Membership Chairman, Alaska Libertarian Party, testified via teleconference from Anchorage in support of HJR 34. He read the following testimony into the record:

I am here today with a song in my heart to support House Joint Resolution No. 34. The estate tax is a confiscatory tax. It is a tax on dead people. It is a double tax because they have already paid taxes on it. People spend their whole lives accumulating whatever they can and the government decides: "No. This is not going to go to their children. This will go to us."

When I grew up, my dad used to tell me: "Scott, we are better than Russia because in Russia you cannot own property, but here you can." I believed in that. I thought we were different, and I thought we were better, but then I grew up and I learned about things like the property tax and the inheritance tax and the gift tax. I learned that our government, too, believes that really they own everything and that it should all go back to them eventually.

I have been thinking that if the government feels they have assets - who cares? It is the people without assets that are voting us in. Then I see something like this sponsored by Representatives Coghill and Barnes, and I have hope again. I am here to ask you to vote for HJR 34 and help move along H.R. 86. Let's get rid of the estate and gift taxes.

CHAIR BARNES asked if any of the committee members had questions. There were no questions.

Number 0590

REPRESENTATIVE COWDERY made a motion to move HJR 34 with a zero fiscal note out of committee and asked for unanimous consent. There being no objections, HJR 34 moved from the House Special Committee on World Trade and State/Federal Relations.

Bill Root: _____ Display Bill Root



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Senate STATE AFFAIRS Minute



Apr 29, 1999

HJR 34-REPEAL ESTATE AND GIFT TAX

REPRESENTATIVE COGHILL, sponsor of HJR 34, stated his original intent was to repeal the estate tax in Alaska, but it is a sponge tax, therefore Alaska receives only a portion of what the federal government gets. HR 86 is making its way through Congress at this time. HJR 34 expresses support for HR 86 which would do away the inheritance tax.

SENATOR GREEN moved HJR 34 from committee with individual recommendations. There being no objection, HJR 34 was moved from committee.

Bill Root: _____ Display Bill Root



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ALASKA

National Federation of Independent Business

Statement of Support

of HJR 35

Permanent Repeal of Death Tax

January 28, 2002

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state.

NFIB has long advocated for full repeal of the Death Tax, and on June 7th, 2002, President Bush signed into law a Death Tax Repeal which will be phased in to finally accomplish total repeal by 2010. However, the bill sunsets on December 31, 2010. (A summary of the new law's provisions can be found at: <http://www.house.gov/jct/x-50-01.pdf>)

Some people think the Death Tax only hits the super-rich. Often the victims hardest hit by the Death Tax are middle-class hard-working Americans ... small business owners and their employees. Originally intended to prevent the concentration of wealth that worried our founding fathers and later intended to raise revenue during wartime, the Death Tax in its current form is destructive to America's entrepreneurs. In addition to the tax itself, thousands of small businesses are impacted each year by expensive fees paid to attorneys, accountants and life insurers necessary to prepare for an eventual Death Tax debt.

The legislative agenda of NFIB for state and federal issues is determined by ballot. The ballot is a poll of the membership on a series of issues. Ballot results have shown that **89 percent of NFIB members favor full and total repeal of the Death Tax.**

NFIB/Alaska urges support for HJR 35.

Submitted by Thyas Shaub on behalf of NFIB/Alaska.

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: HJR 35
 (H) Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: HSTA for LAA
 Title: Relating to urging the United States Congress BRU: _____
to amend the tax code to repeal the de Component: _____
 Sponsor: Representative James Component Number: _____
 Requester: H(STA)

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This resolution has no fiscal impact on state spending.

Prepared by: Rynnieva Moss

Phone 465-3719

Representative John Coghill
 Committee Chair

Date 1/25/2002

**HOUSE OF REPRESENTATIVES
COSPONSOR REQUEST**

TO: CHIEF CLERK

Please add my name as cosponsor
to the following:

HJR 35

*Use one slip for each request.



Member's Signature

1-29-02

Date

Send to Chief Clerk before consideration
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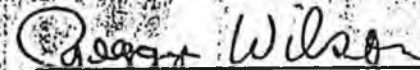
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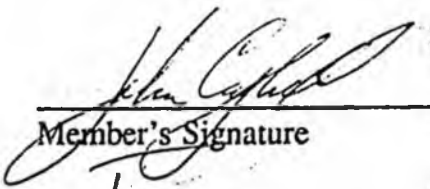
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Jan 29, 02
Date

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