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Citizens for Tax Justice

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Only 0.9% of Marylanders Owe Estate Tax

Figures Show Why Obama Should Scale Back His Proposal to Cut the Estate Tax

President-elect Barack Obama has proposed to change the law enacted by President George W. Bush in 2001 that gradually repeals the estate tax. Obama's proposal would prevent the estate tax from disappearing but would still slash the tax unnecessarily to benefit just a handful of wealthy families. While the vast majority of Marylanders are already unaffected by the tax, Obama's proposal would result in even *fewer* estates being taxed.

Few Maryland Estates Were Taxable in 2007

In 2006, 43,575 Marylanders died. Newly released IRS data show that in 2007 (when estate tax returns for 2006 deaths were generally due), only 371 Marylanders owed any estate tax. That is just 0.9 percent of all Maryland estates. IRS data also show that the number of Marylanders paying the estate tax was always low but declined since the Bush estate tax cut went into effect. In 2000, 2.3 percent of all deaths in Maryland resulted in estate tax liability. In other words, the estate tax never burdened many state residents even before President Bush's law began to reduce its reach.

President Bush's Estate Tax Cuts Will Exempt Even More Marylanders Next Year

The 2001 law enacted by Bush gradually increases the estate tax exemptions, and gradually reduces the estate tax rate, over the decade and then repeals the tax entirely in 2010 — for one year. Like almost all of the Bush tax cuts, these gradual changes in the estate tax expire at the end of 2010. That means that if Congress simply does nothing the estate tax will return in 2011 in a form closer to what existed at the end of the Clinton years.

Under the 2001 Bush law, the first $1.5 million (per spouse) in the value of the estate was not taxed for individuals who died in 2005. That exemption increased to $2 million per spouse in 2006, and is scheduled to increase to $3.5 million per spouse in 2009. Then in 2010, the estate tax is scheduled to disappear — for one year.

President-elect Obama proposes to make permanent the rules in effect in 2009. This would be an improvement in the sense that the estate tax would not disappear in 2010, but it would also constitute an unnecessary and regressive tax cut for extremely wealthy families in years after 2010.

This trend is especially disturbing in the wake of revelations that the distribution of wealth in the United States has become even more unequal in recent years. The most recent Federal Reserve Bank data show that the richest 1 percent of Americans now own more than 33 percent of the wealth nationwide — more than the poorest 90 percent of Americans put together.

The federal estate tax was enacted in 1916 to prevent an unhealthy concentration of economic and political power in the hands of a super-wealthy elite, noted CTJ Director Robert S. McIntyre. "Repealing this tax—or paring it back through 'compromise' legislation—would remove this important backstop and open the floodgates to a new wave of wealth inequality."