



PERMANENT REPEAL OF THE ESTATE TAX

Issue: Advocates for repeal of the estate tax argue that the tax poses a great threat to America's entrepreneurs, as well as a major financial burden to surviving family members who wish to continue the family business after the death of the business owner. In spite of recent limited tax relief, many small businesses still must be liquidated piece-by-piece or sold outright just to secure enough cash to pay estate taxes. Still other businesses are forced to take out loans or are unable to reinvest capital. The tax takes its toll not only on small business, but also on jobs and communities that are often adversely affected as well.

Background: On June 7, 2001, President Bush signed into law the "Economic Growth and Tax Relief Reconciliation Act of 2001." Among other things, the law provided for gradual repeal of the estate tax. However, the law includes a sunset provision so that at midnight December 31, 2010, the repeal vanishes and estate tax law reverts to its pre-2001 status. Under current law, \$2 million is exempted from estate taxes for an individual, \$4 million is exempted for a couple, and tax rates are as high as 47%.

Status: In April 2005, the House of Representatives passed by a vote of 272-162, H.R. 8, a permanent repeal bill. However, on June 8, 2006, the Senate virtually killed any chance for repeal when, by a vote of 57-41, it failed to approve a motion to proceed. Attention now turns to the possibility of compromise legislation sponsored by Sen. John Kyl (R-AZ). Among provisions in Kyl's compromise:

- Exempts \$5 million from estate per individual, \$10 million per couple.
- Taxes estates valued at less than \$30 million at 15% rate.
- Taxes estates valued at more than \$30 million at 30% rate.

IHA Position: Nearly 75% of IHA member companies are small- to medium-sized, family owned businesses. As such, IHA has joined forces with the 1,000-plus members of the Tax Relief Coalition to advocate in support of broad-based tax relief, including the repeal of the estate tax.