

Was the Death Tax Revived so that Spending Agendas Could Thrive?

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Introduction

Apparently not satisfied with the tax increases passed on cigarettes in the reauthorization of the State Children's Health Insurance Program, the energy taxes contained in the cap-and-trade bill, and the numerous taxes, fees, and penalties included in its health care overhaul, the House of Representatives recently turned its attention to keeping the federal estate tax alive. Under current law, the estate tax is set to expire in 2010, but would be re-imposed at 55 percent in 2011. The George W. Bush Administration early on sought the elimination of this disincentive to saving and double-taxation of wealth. With the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001, the tax rate was gradually reduced from 55 percent. But in order to work around a Senate rule that could have killed the package altogether, the bill included a sunset provision so that the tax cut is repealed in 2011. On December 3, 2009, the House of Representatives considered H.R. 4154 and voted 225-200 to do away with the temporary elimination of the estate tax in 2010, making it permanent at a rate of 45 percent instead.

Many of the Representatives supporting the estate tax – also known as the death tax for making one's passing a taxable event – argue its imposition is necessary to prevent the concentration of wealth. As Representative Jared Polis (D-CO) stated during the bill's debate, "... [T]he existence of an estate tax, is critical to prevent a permanent aristocracy from arising in this country."¹ Given the electoral power of incumbents and the numerous perks of office that Members of Congress have bestowed upon themselves (including automatic pay raises, generous taxpayer-subsidies for health insurance, and the most golden of parachutes through its pension plan), maybe term limits would do a better job than the death tax of preventing a "permanent aristocracy." But another question presents itself: are these aristocracy-prevention arguments really just a class-warfare based justification to raise revenue for underwriting Members' spending plans?

This analysis correlates the votes for and against the death tax with the cost of Members' legislative agendas.² National Taxpayers Union Foundation's (NTUF) BillTally system tabulates the cost or savings of every piece of spending legislation introduced in either House of Congress during each session and cross-indexes these figures with the sponsorship records of every Member of Congress. BillTally thus produces the amount (expressed in dollars) of each

¹ Jared Polis, *Congressional Record*, p. H13473, December 3, 2009 available online at <http://thomas.loc.gov>.

² All spending agenda figures are based on data from the 110th Congress; freshmen Members who voted on the bill are excluded from the averages.

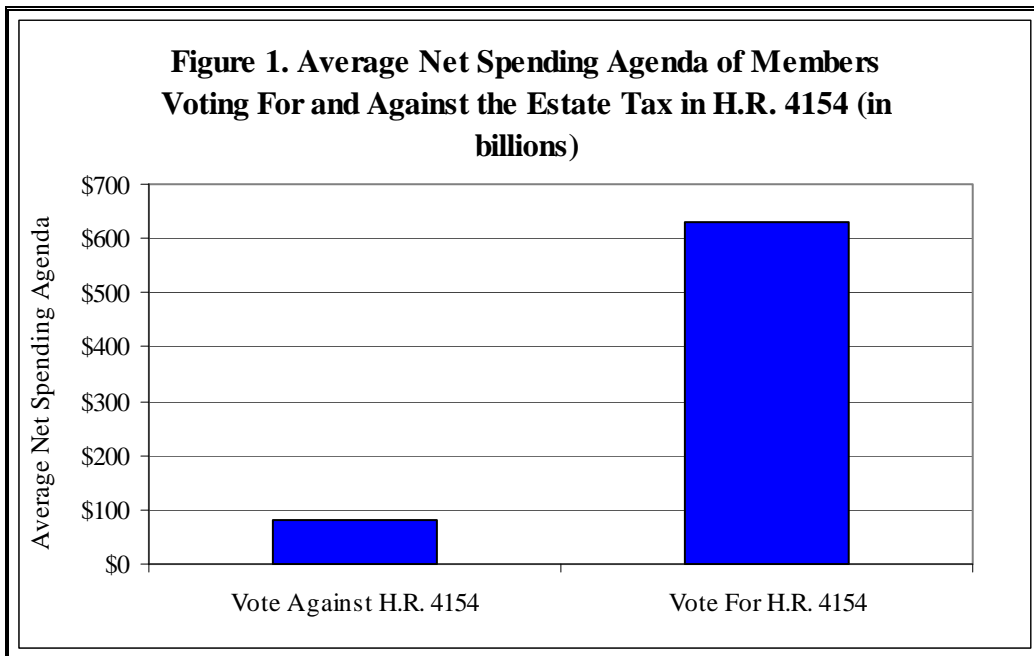
lawmaker’s legislative agenda. The numbers represent the annual change in federal spending that would occur if all the legislation sponsored or cosponsored by that Member were enacted into law.

The Overall Vote

Average Net Agendas by Vote for the Estate Tax in H.R. 4154 (in billions)					
	Spending Increases	# Spending Increase Bills	Spending Cuts	# of Spending Cut Bills	Net Agenda
Voted No	\$88.6	50	(\$7.1)	4	\$81.6
Voted Yes	\$631.6	123	(\$1.4)	7	\$630.2

Note: Averages are for those Members with BillTally data available from the 110th Congress. Figures may not add due to rounding.

As the data in the above table shows, Members who voted in support of the estate tax backed larger spending agendas than Representatives who opposed it. The average net spending agenda during the 110th Congress of those Members voting against H.R. 4154 was \$81.6 billion. While this is no small sum of money, supporters of the new tax rate had an average net agenda that was nearly 8 times as large, at \$630.2 billion. Members voting to oppose the measure also sought larger budgetary savings (\$7.1 billion) than those supporting the estate tax (\$1.4 billion).

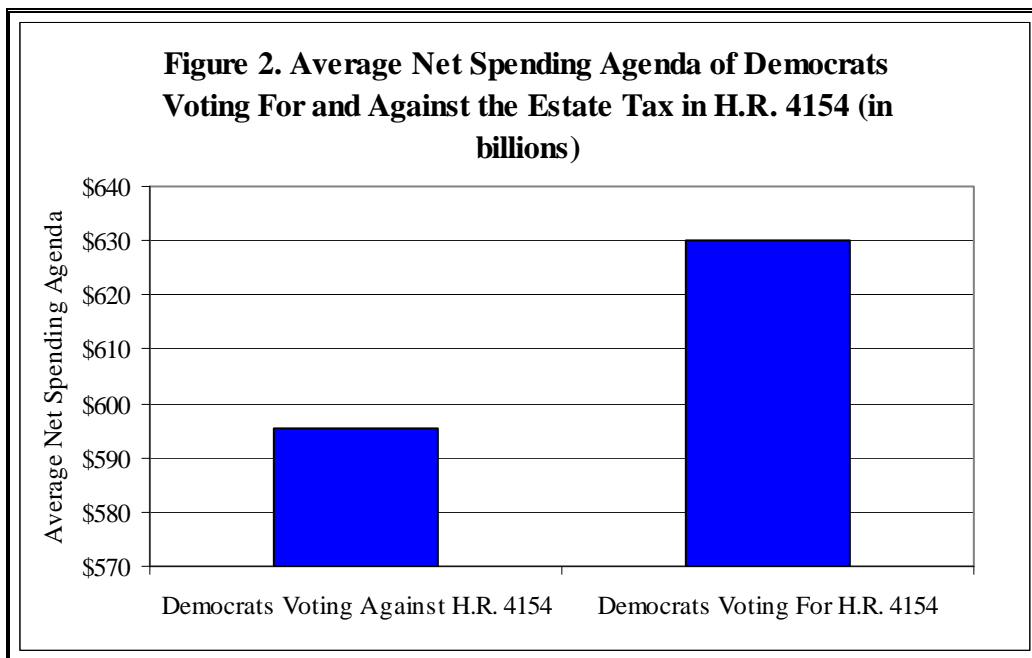


Given that the Republicans voted unanimously against this tax and that BillTally has shown over the course of the past two decades that Republicans tend to sponsor fewer spending increases than Democrats, these results are not surprising. However, they do reinforce the notion

that Members who want more taxes do so primarily because they want to redistribute those receipts elsewhere, while those who oppose new taxes are relatively less inclined toward new expenditures.

Comparing the Democrats' Votes

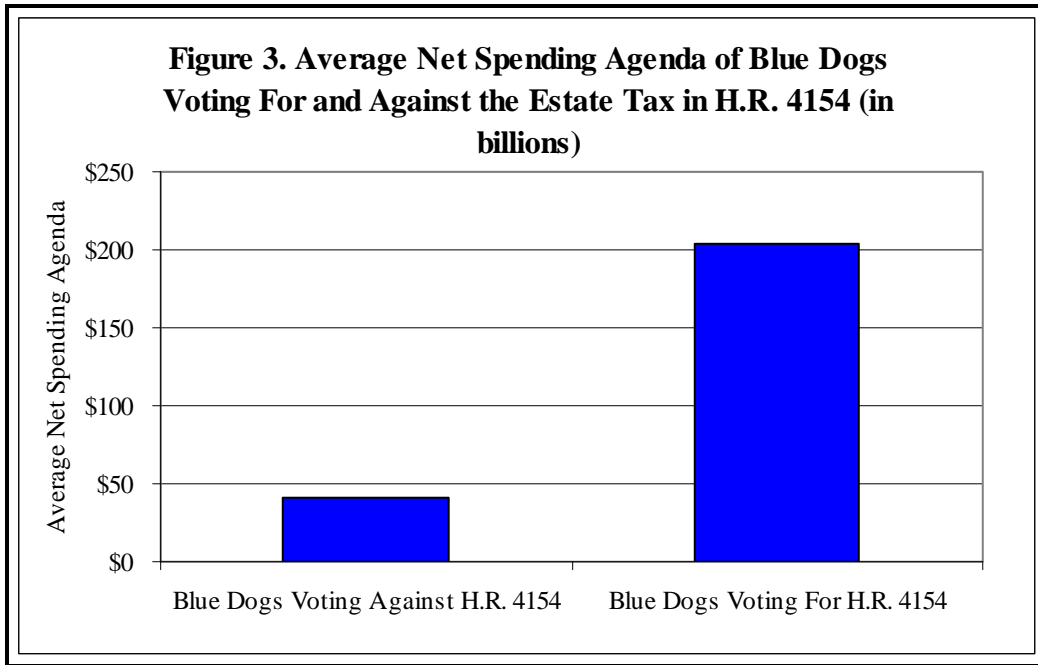
Similar results were seen when examining just the Democrats voting for and against the bill. Democrats supporting the tax backed legislation that would increase spending by \$630.2 billion, nearly \$35 billion more than the average net agenda of \$595.4 billion for those who voted against the measure. Several of the Democrats stated that their opposition was because the bill was not considered through regular order and because the House held no hearings on the issue. At least one Member, Representative Pete Stark (D-CA), opposed the bill because he believed it was “weak.” He also cited an original bill of his from the 111th Congress that would set a higher top estate tax rate at 55 percent and index it for inflation.³ Excluding Representative Stark from the average of the Democrats in opposition to H.R. 4154 would bring their net spending agenda down to \$541.7 billion.



The Blue Dog Democrats

What about those Members in the Blue Dog Coalition who are widely portrayed in the media to be the “fiscally conservative” wing of the Democratic Party? The sample may be

³ Press release: “Rep. McDermott Votes No on ‘Weak’ Estate Tax Legislation” December 3, 2009. <http://www.house.gov/mcdermott/pr091203c.shtml>



smaller, but the pattern of estate tax supporters also proposing larger spending agendas than those who voted “no” was again clearly replicated. In total, 44 Blue Dogs voted in favor of the tax rate (including two freshmen), six voted against it (including four freshmen), and two did not vote. The two dissenting Blue Dogs with spending data available from the 110th Congress backed \$41.6 billion in new spending while the 42 non-freshman Blue Dogs voting in favor of the permanent estate tax advocated legislation that would increase spending by \$204.4 billion. The average net agenda of the Blue Dog supporting the bill was nearly five times larger than the agenda of those who opposed it. Among those 42 voting in favor, 28 had net spending agendas greater than \$41.6 billion and 14 had agendas equal to or smaller than that amount.

Conclusion

The data shows that Members who favored the reinstatement of the estate tax in 2010 tended to sponsor larger spending agendas than those Representatives that voted against it. Taxpayers can be justified in concluding that Members are looking for additional tax receipts to enable their own spending plans. In the movie “Field of Dreams,” Kevin Costner’s character builds a baseball diamond in his corn field after he is told by an apparition, “If you build it, he will come.” The Washington version of that phrase is “If they tax it, they will spend it.” But unfortunately, as we’ve seen with Washington’s record deficits and debt, they have a backup plan: borrow it at the expense of future generations of taxpayers.

About the Author

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