

The New York Times

The Opinion Pages

Search All NYTimes.com

Go

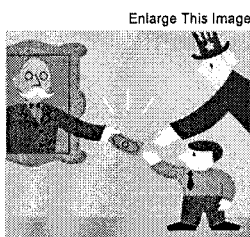


OP-ED CONTRIBUTOR

Give Up on the Estate Tax

By RAY D. MADOFF
Published: December 14, 2010

Boston



Enlarge This Image

Stephen Savage

CONGRESSIONAL Democrats have voiced outrage at President Obama's compromise proposal to lower the estate tax rate to 35 percent, from 55 percent, and raise the per person exemption to \$5 million, from \$1 million. They have called it a giveaway to the rich. A more reasonable compromise, they say, would have set the rate at 45 percent and the exemption at \$3.5 million when the estate tax goes back into effect in January.

Related

Times Topic: Inheritance and Estate Taxes

But instead of getting into any further arguments over rates and exemptions, Democrats would be better off conceding defeat. They should allow Republicans to get rid of the estate tax altogether — but at the same time arrange for inherited wealth to be subject to income tax.

After all, the Democrats have already lost the battle. The president's proposal is fresh evidence that even Democrats have given up championing the fundamental value that the estate tax was originally intended to promote. This tax, first enacted in 1916, was never intended to be simply a device for raising revenue. Rather, it was meant to address the phenomenon of a small number of Americans controlling large amounts of the country's wealth — which was considered a national problem.

As Justice Louis Brandeis said, "We can have concentrated wealth in the hands of a few or we can have democracy, but we can't have both." Even Andrew Carnegie testified in Congress in favor of an estate tax as the best way to address wealth concentration.

In its first 60 years, the estate tax, along with other progressive policies, went a long way toward accomplishing this goal. By 1976, the amount of the nation's wealth controlled by the richest 1 percent of Americans had fallen from more than 50 percent to only 20 percent. And this greater dispersal of wealth fostered a strong middle class.

The tax policies of the past 35 years, however, have reversed the trend. Today the wealthiest 1 percent own more than a third of the country's wealth, leaving 80 percent of Americans with just 16 percent of it. President Obama's proposal would only accelerate this trend.

But Americans seem little inclined to resist wealth concentration. Efforts to impose taxes geared to the wealthy are lambasted as promoting class warfare. Moreover, because the estate tax is nominally imposed on the deceased, it has been vulnerable to the "death tax"

RECOMMEND

TWITTER

SIGN IN TO E-MAIL

PRINT

REPRINTS

SHARE



Log in to see what your friends are sharing on nytimes.com. Privacy Policy | What's This?

Log In With Facebook

What's Popular Now

Heroic, Female and Muslim



The Crying Game



LET'S BUILD A BETTER ENERGY FUTURE. GO.

See how we're helping to secure energy for the next generation.

Get the Opinion Today E-Mail

Sign up for the highlights of the day in Opinion, sent weekday afternoons.



Sign Up

See Sample | Privacy Policy

MOST POPULAR

E-MAILED BLOGGED SEARCHED VIEWED

1. Well: Phys Ed: The Benefits of Exercising Before Breakfast
2. Gail Collins: The Crying Game
3. In France, Civil Unions Gain Favor Over Marriage
4. U.S. Rethinks Strategy for the Unthinkable
5. An Exhibition That Gets to the (Square) Root of Sumerian Math
6. Staph's Trail Points to Human Susceptibilities
7. Nicholas D. Kristof: Heroic, Female and Muslim
8. Bob Feller, Whose Fastball Dazzled, Dies at 92
9. 18 and Under: Untangling the Myths About Attention Disorder
10. Economic Scene: Opposition to Health Law Is Steeped in Tradition

rhetoric, which has convinced the public that it is a second tax imposed on the defenseless dead, who already paid taxes on the money they accumulated.

Missing from the debate has been any discussion of what level of tax is appropriate for heirs. Few Americans may realize that money received by gift, inheritance or life insurance is entirely free from income taxes. Of course, this made sense when there was a strong estate tax. But there is no other reason inherited wealth should not be taxed the same as wages, lottery winnings and all other forms of income.

President Obama is said to be considering an overhaul of the income tax code, beginning next year. That would be an ideal opportunity to make inheritances subject to income taxes.

If inherited wealth was taxed as income, exemptions could still be provided for smaller estates — up to \$500,000 or even \$1 million. And taxes on inherited family farms and businesses could easily be deferred, if need be, until they were sold.

Most important, by imposing the tax directly on those who receive the money, Congress could have a more honest discussion regarding the appropriate taxation of inherited wealth.

Ray D. Madoff, a professor at Boston College Law School, is the author of "Immortality and the Law: The Rising Power of the American Dead."

A version of this op-ed appeared in print on December 15, 2010, on page A31 of the New York edition.



Mick without moss

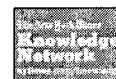
ALSO IN T MAGAZINE »
Asked & answered | Nicki Minaj
The Moment's holiday gift guide

nytimes.com

T MAGAZINE

ADVERTISEMENTS

Find your dream home with
The New York Times Real Estate



Fan The New York Times on Facebook

The new issue of T is here

See the news in the making. Watch
TimesCast, a daily news video.

SIGN IN TO E-MAIL

PRINT

REPRINTS



Click here to get 50% off Home Delivery of The New York Times.

Ads by Google

what's this?

Need A Good Accountant?

Find the most Qualified Accountants
Near You in 15 seconds.
www.GoodAccountants.com

Ads by Google

what's this?

Tax Preparation

Tax Preparation For Businesses And
Individuals. Free Consultation.
CookAccountingPC.com/TaxPreparation

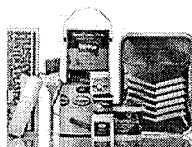
Get Free E-mail Alerts on These Topics

Inheritance and Estate Taxes

Obama, Barack

INSIDE NYTIMES.COM

HOME & GARDEN »



The Pragmatist: Painting
Without Pain

FASHION & STYLE »

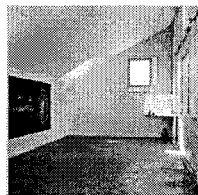


Watching 'The Fish' Fade to
Black

OPINION »

Get the Lead
Out of Hunting
To prevent the
poisoning of wildlife,
switch to copper bullets.

GREAT HOMES »



An English House That
Generates What It Uses

OPINION »



Op-Ed: A Green Detroit?
No, a Guzzling One

BOOKS »



Writer Races to Victory
From Way Off the Pace