

Statement on behalf of H.R. 1105 – The Death Tax Repeal Act

Rep. Kevin Brady of Texas, author

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As Prepared for Delivery

Thank you, Chairman Ryan.

I thank my Democratic sponsor, Congressman Sanford Bishop of Georgia for his leadership to repeal the Death Tax and his belief that ‘you shouldn’t punish success’, as well as my colleague Representative Kristi Noem, and Congressman Mac Thornberry, another champion.

Can you imagine working a family ranch for five generations, more than century, only to be forced to sell two-thirds of it to satisfy the Death Tax? Can you imagine decades of hard work building your family-owned business, only upon your death Uncle Sam swooping in and demanding nearly half of the nest egg you’ve spent a lifetime building?

These examples are real.

The Death Tax is the wrong tax at the wrong time and hurts the wrong people. It’s the number one reason why family-owned businesses aren’t passed down to the next generation. It is Washington’s most immoral and calculated attack on the American Dream.

Since the estate tax was temporarily imposed in 1916 to help pay for World War I, by every measure it’s failed to achieve the purposes its supporters champion.

It’s robbed America’s economy of \$1.1 trillion in capital investment. It generates little annual revenue – less than enough to cover one day of Washington spending. It hurts the economy, encourages income inequality and fails to meet any basic standard of fairness.

Ironically, studies prove that our economy and federal tax revenues would grow faster if the death tax were simply abolished.

The George Soros, Bill Gates and Warren Buffett's of the world with their legions of lawyers and tax planners don't pay the Death Tax. As we heard from our witnesses at Chairman Reichert's recent hearing, this tax burden falls on family-owned farms, ranches, and small businesses.

They are not Paris Hilton or the 'robber barons' of Teddy Roosevelt's days as portrayed by our Democrat friends, these are the hard-working, risk-taking and determined Americans often forced back to the bank for a loan or cruelly forced to sell their land and business to satisfy the Internal Revenue Service.

The Death Tax is especially destructive to women and minority-owned small businesses in America who are building wealth often for the first time. As Mr. Bob Johnson, the founder of BET, recently wrote to our committee, the Death Tax "continues to pose a serious threat to the likelihood that present-day African American-owned businesses can be preserved as part of a family's long-term legacy." A study by Boston College professors estimates the Death Tax could rob African-American households of up to a quarter-trillion dollars of wealth over the first half of this century.

Death Tax supporters insist it's the 'key to our democracy' – a necessary remedy to income inequality. But former Federal Reserve Vice Chairman Alan Blinder found that only two percent of income inequality can be explained by inherited wealth. Americans build their prosperity from the ground up.

Congress' own Joint Economic Committee reported that the Death Tax motivates wealth holders to reduce savings and increase spending now rather than pass it on to the next generation. This actually increases the consumption gap between the wealthy and poor in America.

Today Death Tax supporters may propose a "special use valuation" alternative to somehow exempt farms, ranches, and small businesses from the death tax. We've tried this approach before, in 1997. It just heaped additional burdens and complexities on family businesses and tied them up in red tape for years after death. As award-winning Yale professors Graetz and Shapiro concluded: "Everyone now agrees...this was a complete and utter failure".

Look, no more gimmicks.

Our economy is suffering through a disappointing recovery, missing more than five million jobs.

We need American entrepreneurs and family businesses to close that serious jobs gap. But as our committee witnesses made clear, instead of hiring more workers and investing in their business the Death Tax diverts their precious dollars and time to estate planning – millions of dollars and hours. Imagine if all of that could have been invested in new jobs and business opportunities?

Let's give our children back their shot at the American Dream – and a better nation than the one we inherited. I urge my colleagues to work with me in ending the Death Tax once and for all.