ISSUE BRIEF

NSBA National Small Business Association®

Estate Tax Repeal

An unreasonably high estate tax harms many family-owned businesses and reduces economic growth

Problem:

Federal estate and gift taxes harm family-owned businesses on an ongoing basis because the owner of the business must take various—and often very costly—estate planning measures such as purchasing insurance and/or the creation of trust funds to ensure the future viability of the business. If families do not take these steps, they may have to liquidate the business to pay the estate taxes. The ongoing uncertainty of the estate tax has resulted in more confusion, complexity and estate planning costs for small businesses. These burdensome compliance costs make it even harder for business owners to expand their businesses and create more jobs.

- Many studies have quantified the potential job growth that would result from full estate tax repeal. Last year the Tax Foundation found that the U.S. could create over 150,000 jobs by repealing the estate tax.
- A 2012 study by the Joint Economic Committee found that the estate tax has destroyed over $1.1 trillion of capital in the U.S. economy–loss of small business capital means fewer jobs and lower wages.
- The estate tax currently accounts for approximately one half of one percent of federal revenue. There is a good argument that not collecting the estate tax would create more economic growth and lead to an increase in federal revenue from other taxes. A 2016 Tax Foundation analysis found repeal of the death tax would increase federal income taxes by $145 billion over 10 years using a more realistic, "dynamic" economic analysis.
- The American Taxpayer Relief Act of 2012 made the following permanent: (1) the reunification of the estate and gift tax regimes, (2) the $5 million estate, gift and generation-skipping transfer (GST) tax exemptions, as increased for inflation and (3) portability of the federal estate tax exemption between spouses at death.
- Therefore, for 2017, the estate and gift tax exemption is $5.49 million per individual, up from $5.45 million in 2016, with a 40 percent top federal estate tax rate. A married couple will be able to shield just shy of $11 million ($10.98 million) from federal estate and gift taxes. The annual gift exclusion remains at $14,000 for 2017 and $28,000 for gifts made by a married couple who agree to "split" their gifts.

Solution:

The future of the estate tax regime is a cause for major concern for family businesses, many of which are struggling to guarantee that their business survives into the next generation.

- NSBA is committed to making the repeal of the estate tax permanent. This is necessary to make sure that small businesses can invest in the future and not in estate planning.
- In order for small businesses to get back to growing their business, hiring employees, and focusing on expansion, rather than working to ensure their families are not left bankrupt by estate taxes, NSBA supports full and permanent repeal of the estate tax—including the *Death Tax Repeal Act of 2017* (*S. 205 / H.R. 631*).

Learn More:

Download NSBA's 2015 Taxation Survey
Read NSBA's latest updates on tax and budget issues