# LARSON VOTES IN FAVOR OF DEMOCRATIC VERSION OF ESTATE TAX REPEAL

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GOP Bill Would Prevent Social Security and Medicare From Being Strengthened

WASHINGTON, D.C.- U.S. Congressman John B. Larson (CT-01) today voted against H.R. 2143, Republican legislation to permanently repeal the estate tax. Larson voted in favor of the Democratic substitute designed to offer immediate tax relief and help families pass family businesses and farms from generation to generation without providing a windfall to the very rich at the expense of the Social Security and Medicare programs. The Democratic substitute would permanently increase the exclusion from the estate tax to $3 million on January 1, 2003; freezes the current, reduced tax rates and preserves the step-up in basis for inherited assets. This means that a couple with assets worth $6 million will pay no estate tax. The substitute is estimated to cost $25 billion between 2003 and 2007, but only $5 billion over the entire ten-year period because it is substantially less costly than full repeal in 2010 and 2011.

Larson stated: “I find it ironic that millionaires and philanthropic organizations alike have consistently indicated that there is no need for the total repeal because of its negative impact on the majority of American citizens. The goal should be to take care of the citizens who need tax relief most by offering immediate assistance without endangering the future of either Social Security or Medicare by providing a windfall for the very wealthy. The Democratic plan was well thought out and impacts almost all people who would pay the estate tax.

“The Republican leadership is pushing through this repeal that will go to a few thousand of the very wealthiest people in this country at the expense of the 53 million Americans who will be relying on Social Security benefits beginning in 2011, and the millions of seniors who need prescription drug relief now,” said Larson.

Making the estate tax repeal permanent will mean nothing for 97% of Americans, but ensures that only the wealthiest 22,000 families in the nation will benefit. The repeal will cost $109 billion by 2012 and more than $1.2 trillion between 2013 and 2022 at a time when Social Security will be severely strained because of the retiring baby boom generation.

As offered in the Rules Committee, the Democratic substitute was fully paid by the inclusion of provisions to close the corporate expatriate tax loophole and to tighten the law on corporate tax shelters to prevent further corporate abuses like those that have come to light involving Enron, Halliburton, Stanley Works and other companies. However, the Republican leadership denied Democrats the opportunity to offer these provisions.

The Democratic substitute offered by Rep. Earl Pomeroy (ND) would mean:

Lower or no estate tax for 99.6% of all Americans beginning January 1, 2003. No individuals with estates worth less than $3 million or couples with estates worth less than $6 million will pay any estate tax under the Pomeroy bill. Under the Republican bill, many of these families would be subject to the estate tax until 2009.

Permanently lower taxes for any estate worth under $6 million. Under the Republican bill, all estates would be subject to capital gains taxes on everything beyond the first $1.3 million. They would also be subject to complex and difficult record keeping requirements. The Pomeroy bill retains the present system that prevents children and other heirs from being subject to the capital gains tax on increases in the value of businesses that are not subject to the estate tax.

99% of farms would pay no estate tax beginning January 1, 2003. Under the Republican bill, relief to many of these farmers and small businesses is delayed and the record keeping requirements will be more complex and burdensome

due to the change in the rules about paying capital gains taxes.
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