

The Estate Tax as an Alternative Revenue Source

Peter Diamond
NASI and AARP
October 19, 2017

Given that unified federal budget deficits are projected for the foreseeable future, however, any reform proposal should devote only dedicated revenue to Social Security rather than an unspecified source of general revenue. Moreover, ..., any such dedicated revenue that makes use of existing revenue sources should have a strong likelihood of being eliminated otherwise, so that it does not make the problem of reducing the federal deficit even more difficult. One possible source of dedicated revenue for Social Security is a reformed estate tax. [Fn omitted]

Peter A. Diamond and Peter R. Orszag, 2004, Saving Social Security: A Balanced Approach Washington: Brookings Institution Press, p. 94.

Date: April 14, 2005

To: Robert M. Ball

From: Stephen C. Goss, Chief Actuary

Require that a federal tax be imposed on the value of all estates with assets in excess of \$3.5 million for deaths in 2010 and later. The tax would be 45 percent of any assets in excess of \$3.5 million, and the tax revenue would be credited entirely to the OASI and DI trust funds. The \$3.5 million dollar exemption would be fixed (not indexed) for years after 2010. The levels of the estate tax rate and exemption are equal to those provided in current law for 2009. Under current law, the estate tax would be repealed for 2010, but would be restored with a lower exemption and a higher rate than in effect for 2009. Thus, this provision would effectively redirect a substantial portion of the revenue from the estate tax for years 2011 and later from the general fund of the Treasury to the Social Security trust funds. **This provision is projected to reduce the long-range actuarial deficit of the OASDI program by an estimated 0.51 percent of taxable payroll.**

September 27, 2017
Remarks by President Trump at
Tax Reform Event
Farm Bureau Building
Indianapolis, Indiana

To protect millions of small businesses and the American farmer, we are finally ending the crushing, the horrible, the unfair estate tax, or as it is often referred to, the death tax. (Applause.)

Comparison of two bills: tax revenue

Social Security Reform Act of 2016

Sam Johnson

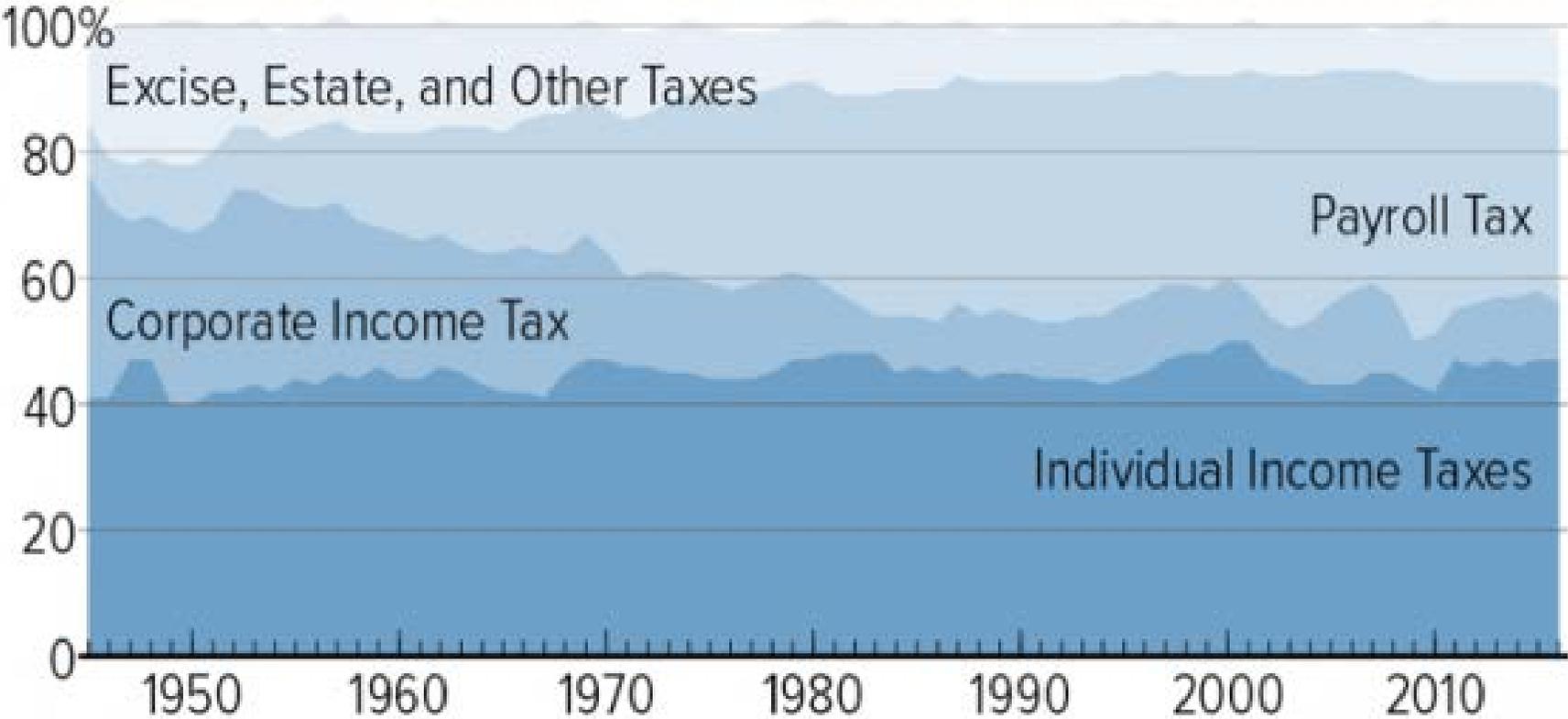
- No change in payroll tax rate
- No change in payroll tax base

Social Security 2100 Act

John Larson

- Increase the payroll tax rate, reaching 14.8% in 2042 +1.78
- Apply OASDI tax rate to earnings above \$400k, with an increase in benefits +1.88

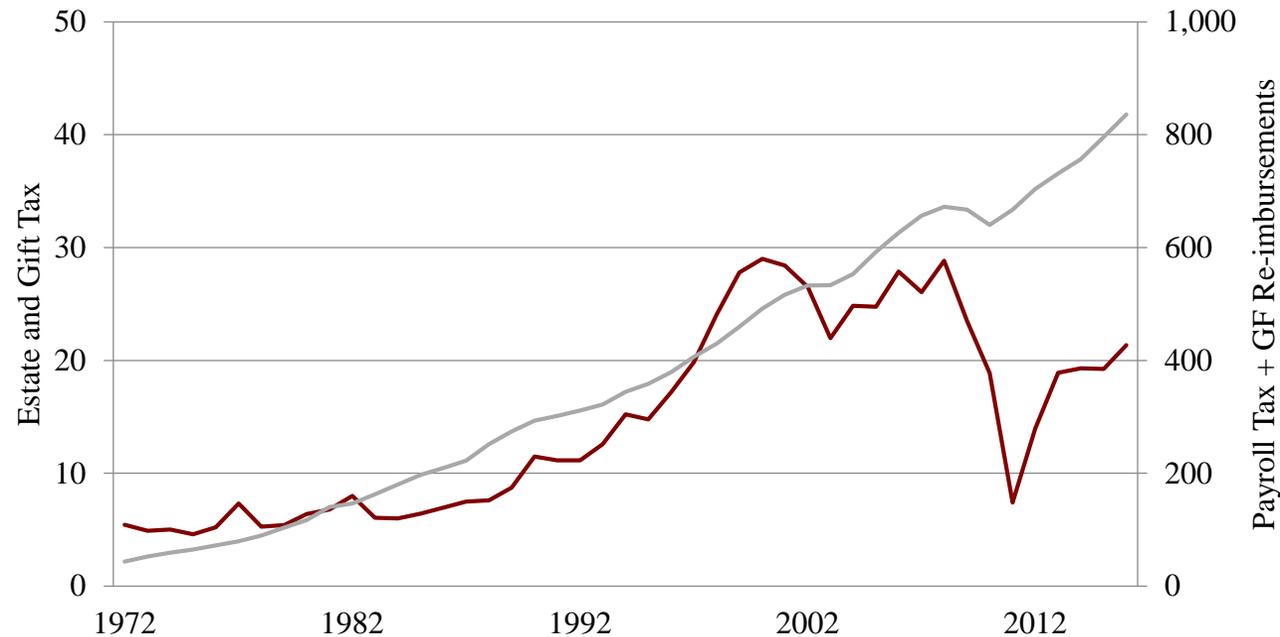
Sources of Federal Tax Revenue, 1945-2016



Note: "Other Taxes" category includes profits on assets held by the Federal Reserve.

Source: Office of Management and Budget

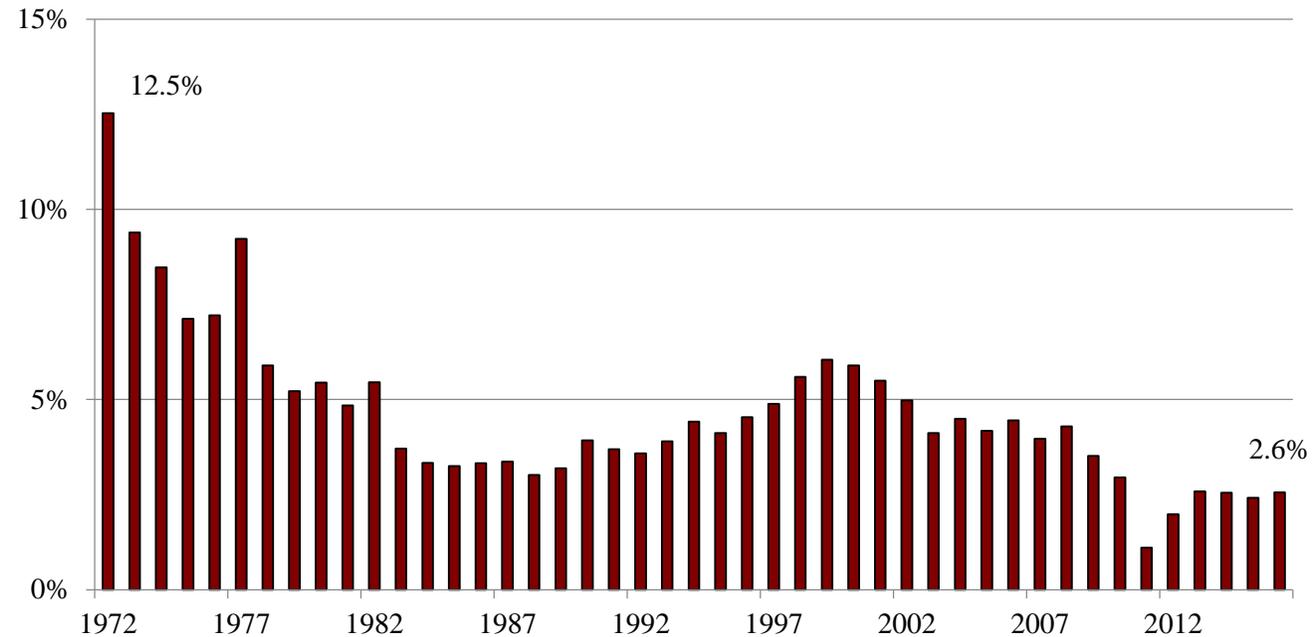
Estate and gift tax and OASDI payroll tax revenues, in billions, 1972-2016



Note: OASDI payroll tax includes general fund reimbursements.

Source: CBO Update to the Budget and Economic Outlook: 2017 to 2027 Supplement (2017); Social Security Administration Trustees Report (2017)

Estate and gift tax revenues relative to OASDI payroll tax revenue



Note: OASDI payroll tax includes general fund reimbursements.

Source: CBO Update to the Budget and Economic Outlook: 2017 to 2027 Supplement (2017); Social Security Administration Trustees Report (2017)

AGRARIAN JUSTICE,
OPPOSED TO
AGRARIAN LAW,
AND TO
AGRARIAN MONOPOLY

BEING A PLAN FOR
MELIORATING THE CONDITION OF MAN,

By Creating in every Nation,
A NATIONAL FUND,

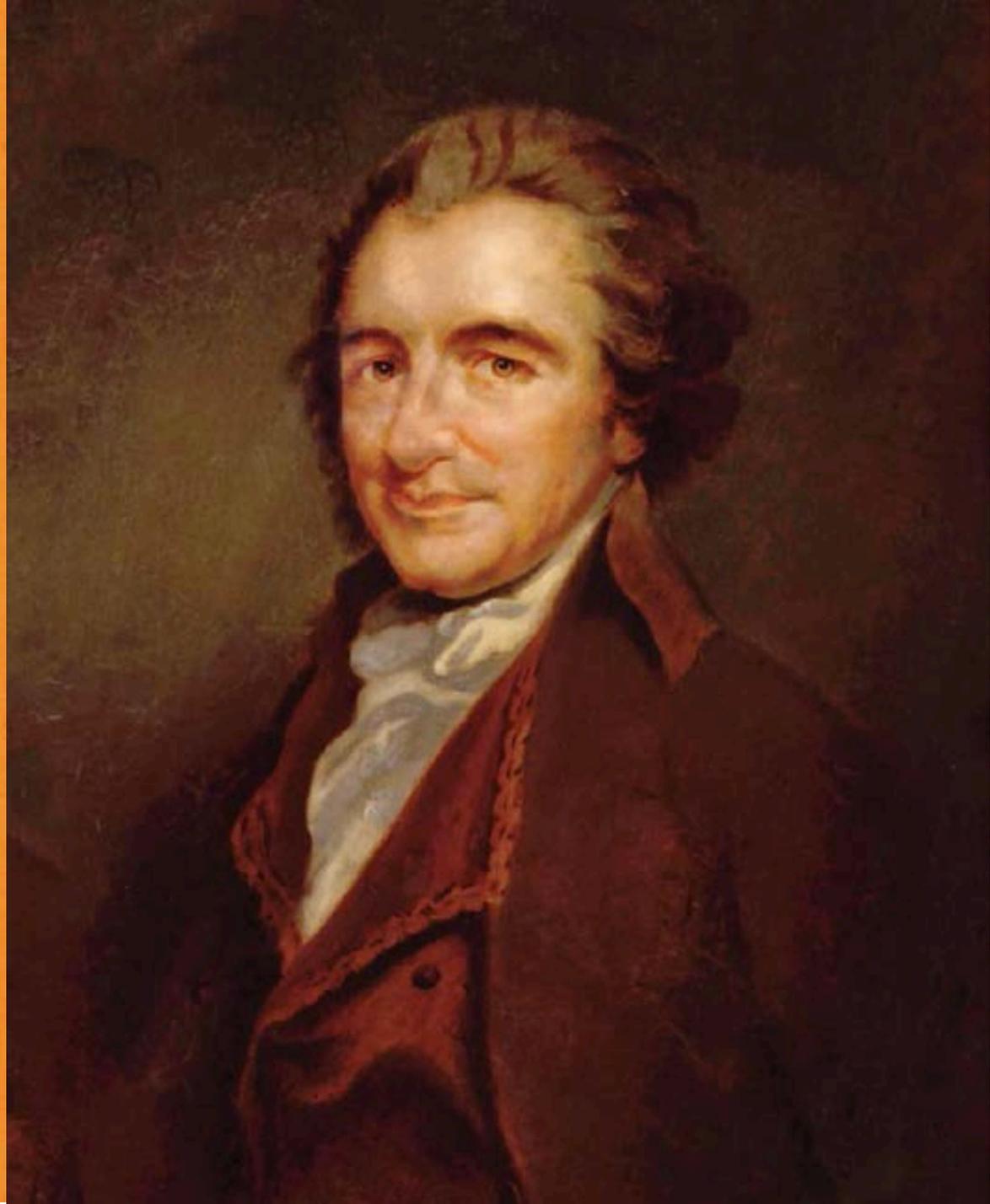
To Pay to every Person, when arrived at the Age of
TWENTY-ONE YEARS, the Sum of FIFTEEN
POUNDS Sterling, to enable HIM or HER to begin
the World!

AND ALSO,

Ten Pounds Sterling per Annum during life to every
Person now living of the Age of FIFTY YEARS, and
to all others when they shall arrive at that Age, to
enable them to live in Old Age without Wretched-
ness, and go decently out of the World.

BY THOMAS PAINE,

AUTHOR OF COMMON SENSE, RIGHTS OF MAN,
AGE OF REASON, &c. &c.



Thomas Paine - Agrarian Justice

£15 when arrived at the age of 21.

£10 per annum, after the age of 50.

£10 per annum for the lame and blind under the age of 50.

10% tax on estates going in a direct line to sons and daughters;

additional 5 to 10 or 12%, in proportion as the next of kin be nearer or more remote

Thomas Paine - Agrarian Justice

When a young couple begin the world, the difference is exceedingly great whether they begin with nothing or with fifteen pounds apiece.

the payments ... to every person, rich or poor ... to prevent invidious distinctions.

it is in lieu of the natural inheritance, which, as a right, belongs to every man, over and above property he may have created, or inherited from those who did.

Thomas Paine - Agrarian Justice

Land ... is the free gift of the Creator in common to the human race.

Personal property is the *effect of society*; and it is as impossible for an individual to acquire personal property without the aid of society, as it is for him to make land originally. ...

All accumulation, therefore, of personal property, beyond what a man's own hands produce, is derived to him by living in society; and he owes on every principle of justice, of gratitude, and of civilization, a part of that accumulation back again to society from whence the whole came.

Thomas Paine - Agrarian Justice

It is not charity but a right, not bounty but justice, that I am pleading for.

...

Though I care as little about riches as any man, I am a friend to riches because they are capable of good.

...

I care not how affluent some may be, provided that none be miserable in consequence of it.

AOW pension

The Dutch AOW pension is a basic state pension.

Everyone who has reached the AOW pension age and lives or has lived in the Netherlands is entitled to an AOW pension, paid from the day of reaching the AOW pension age that applies. It makes no difference in which country you live at that time.

The AOW pension age is being gradually increased to 66 in 2018 and 67 in 2021. As from 2022, it will be linked to life expectancy. Your AOW pension age depends on your date of birth.

"A program that deals only with the poor will end up being a poor program."

Wilbur Cohen, 1972