REPEALING DEATH TAX WILL CREATE JOBS AND BOOST ECONOMY[1]

Palmer Schoening[2] and Patrick Fagan, Ph.D.[3]

Executive Summary

The death tax, which negatively affects family businesses, will soon be modified. In a rare opportunity, Congress can increase its revenues, increase employment and stimulate the economy if it chooses to repeal the death tax. If the death tax returns to its 2001 (high) levels, Congress will collect less revenue while the country will have fewer companies and fewer jobs. All sectors of the economy, and especially the individual states, have much at stake.

An $800 billion stimulus package has been passed in the hope that it will "create or save" 3.5 million jobs over the next two years while keeping the death tax intact at current rates**.** Douglas Holtz-Eakin's new study *Changing Views of the Estate Tax: Implications for Legislative Options* shows that eliminating the death tax at no cost to tax payers will create over 1.5 million jobs and slash the unemployment rate nearly a full percentage point over that time period, bringing the Administration almost halfway to its goal of 3.5 million jobs.

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[1] This paper is a review of *Changing Views of the Estate Tax: Implications for Legislative Options* by Douglas Holtz-Eakin, Ph.D. and Cameron T. Smith, M.A. and *Economic Impact of the Estate Tax: Effects of Various Possible Reform Options* by Stephen Entin, M.A. See their biographies in Appendix II.

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Holtz-Eakin demonstrates that repealing the death tax would:

- Create 1.5 million additional small business jobs
- Slash the current jobless rate by 0.9%
- Increase the probability of hiring by 8.6%
- Increase payrolls by 2.6%
- Expand investment by 3%
- Increase small business capital by over $1.6 trillion.

According to Stephen Entin's latest study, *Economic Impact of the Estate Tax: Effects of Various Possible Reform Options*, repealing the death tax would actually *increase* the government's revenue. Entin shows that the distortion the death tax causes with respect to other tax collection methods results in a net revenue decrease for the federal government, and that by eliminating the death tax altogether, the government could actually bring in nearly *twice* the revenue that the death tax brings in. Entin's analysis demonstrates that the death tax reduces gross domestic product, income, and wages by a substantial amount:

- Allowing the rates to revert to pre-2001 law, 55% with a $1 million exemption, would reduce GDP by $183 billion and labor income by about $122 billion. By contrast, ending the estate tax would add $119 billion to GDP and boost labor income by $80 billion.
- Lowering the top rate to 35% and raising the credit to exempt $5 million from tax would add nearly $9 billion to GDP and $18 billion to labor income.
- Lowering the rate to 15% with $5 million exempt would add $90 billion to GDP and nearly $60 billion to labor income.

Entin further shows that death taxes lose revenue:

- The adverse effects of the death tax on GDP, wages, and other income reduce other tax collections by more than the death taxes bring in, in some cases by more than twice as much. The taxes actually result in a decrease in revenue.
- Lowering the top rate to 35% with $5 million exempt would appear to cost $8.2 billion in yearly death tax, but total federal yearly revenues would eventually rise by $1.4 billion.
- Ending the estate portion would appear to cost $19.2 billion, but total revenues would rise by $23.3 billion.
- The economy, the pre-tax and post-tax incomes of workers, savers, and investors, and federal, state, and local revenue would all be higher if the estate and gift taxes were eliminated.

As this paper will show, retaining or increasing the estate tax is bad economic policy, bad labor policy, and bad tax policy. The death tax unfairly targets the families that have built successful businesses. By doing this, the death tax also targets the families that depend on them for income and the states within which they operate.

Eliminating the death tax would increase small business capital accumulation, create a large number of small business jobs, and actually increase tax revenue at the federal, state, and local government levels. It is rare that a policy option that is extremely simple to enact with such clearly identifiable positive effects presents itself to Congress.

INTRODUCTION

The federal estate tax (the "death tax") has significant negative impacts on the United States economy: on its capital accumulation, employment, productivity, and economic growth.

Individual states find the deleterious effects of the death tax in their own employment numbers, economies, revenues, and budgets. (See Appendix I for individual state employment impact).

Congress will soon revisit this issue, so it is good to consider the different options open to legislators. Allowing the tax to revert to the high marginal tax rate and low exemption of the 1990s would decrease the number and size of businesses and eliminate jobs for workers, thus reducing the size of the U.S. economy. By contrast, eliminating the estate tax would increase business capital, jobs for workers, and government revenue.

TAXATION POLICY BACKGROUND

The federal estate tax, often referred to as the "death tax," is part of the transfer tax system that also includes gift taxes. Gift taxes are levied on money or property given to another person during his or her life. The estate tax is a tax on "your right to transfer property at your death."[4]

This tax is not a tax on earnings but, rather, a tax on the total worth of an estate, down to the last penny. Oftentimes, those targeted by the death tax are family business owners. This makes the death tax a large national issue, not a private family issue, because when the owner dies, this becomes a tax on small family businesses. According to the Small Business Administration, small businesses have created 60 to 80 percent of all net new jobs in the United States in the last decade.[5]

The death tax unfairly targets family businesses. Large, publicly traded corporations pay no death tax at all. Thus, family businesses undergo repeated trauma as they are passed from one generation of employers to the next, while their publicly traded competitors continue through generations unscathed. This tax policy puts America's main engine of economic growth—the family business—at a permanent economic disadvantage.

2001 Tax Changes: To rectify this situation, in 2001 President Bush ushered in large tax cuts that included a phasing out of the federal estate tax. This

[4] See IRS [2008], or visit http://www.irs.gov/businesses/small/article/0,,id=164871,00.html for the IRS description.

[5] http://www.sba.gov/advo/stats/sbfaq.pdf.

legislation, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), put the death tax on an eight-year schedule towards elimination.

The 2001 tax rate was 55% on estates valued over $1 million. Through EGTRRA, the death tax rates were gradually reduced, and the exemption was increased. As of 2009, the top rate is 45% with an exemption of up to $3.5 million in lifetime gifts and bequests per individual. The death tax is scheduled to expire for one year, in 2010, and then reappear in 2011 at 2001 tax rates.[6] This unusual schedule is the result of two competing policy camps not reaching agreement on a stable death tax policy.

The eight-year schedule set by EGTRRA is shown below in Chart 1.

Chart 1

Calendar Year	**Estate Tax Exemption**	**Rate**
2002	$1,000,000	50%
2003	$1,000,000	49%
2004	$1,500,000	48%
2005	$1,500,000	47%
2006	$2,000,000	46%
2007	$2,000,000	45%
2008	$2,000,000	45%
2009	$3,500,000	45%
2010	**Tax Repealed**	**0%**
2011	**$1,000,000**	**55%**

Source: nodeathtax.org

One side wants elimination because it makes great economic sense (as this study will demonstrate), while the other side is prepared to eliminate wealth to curry favor from the middle-class and poor, even if they are aware that this policy severely hurts the working middle-class and poor whose jobs will be on the chopping block.

Congress is currently considering various alternatives. It is not likely to allow the tax to return to 2001 levels, and it balks at eliminating the tax for ideology's or appearances' sake. Options range from keeping the tax rates and credits in

[6] Steve Entin, "Economic Impact of the Estate Tax: Effects of Various Possible Reform Options" (Washington, D.C: American Family Business Foundation, 2009), 3, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

place at 2009 levels to allowing the estate tax to expire permanently, with various other possibilities in between.[7]

Douglas Holtz-Eakin, former Director of the Congressional Budget Office, and Steven Entin, former Deputy Assistant Secretary for Economic Policy at the Department of the Treasury, have conducted independent studies exploring these death tax policy options and have arrived at the same conclusion—the best option for creating jobs and promoting economic growth is full repeal of the death tax. This paper summarizes and merges these recently released studies by Holtz-Eakin and Entin. Together they form a comprehensive and convincing case for estate tax repeal. This paper is composed of seven sections:

1. The negative effect that the death tax has on small businesses and small business workers.
2. The loss of revenue that the government suffers by keeping the death tax intact.
3. How a massive tax on capital hurts workers the most.
4. The economic effects of different death tax policy options.
5. The death tax targets capital that has already been repeatedly reduced by multiple layers of taxation.
6. America's death tax is one of the highest in the world.
7. Americans view the death tax as the least fair of all taxes.

1. The Death Tax Kills Family Businesses and Jobs

President Obama was correct when he said: "Small businesses are the heart of the American economy. They're responsible for half of all private sector jobs—and they created roughly 70 percent of all new jobs in the past decade. So small businesses are not only job generators, they're also at the heart of the American Dream."[8]

Because the President sees small businesses as the life-blood of the economy, any proposal put forth by the Administration and advocated in Congress by Senate Majority Leader Harry Reid and House Speaker Nancy Pelosi should help, not hurt, small businesses. Their current proposals, unfortunately, do not reflect their rhetorical concern for America's small businesses.

Even without the death tax, passing on a business to the next generation is difficult and requires facing a number of obstacles. Adding further strain on this delicate undertaking is bad policy. Seventy percent of family-run businesses do not make it to the second generation, and a full 90 percent never make it to the

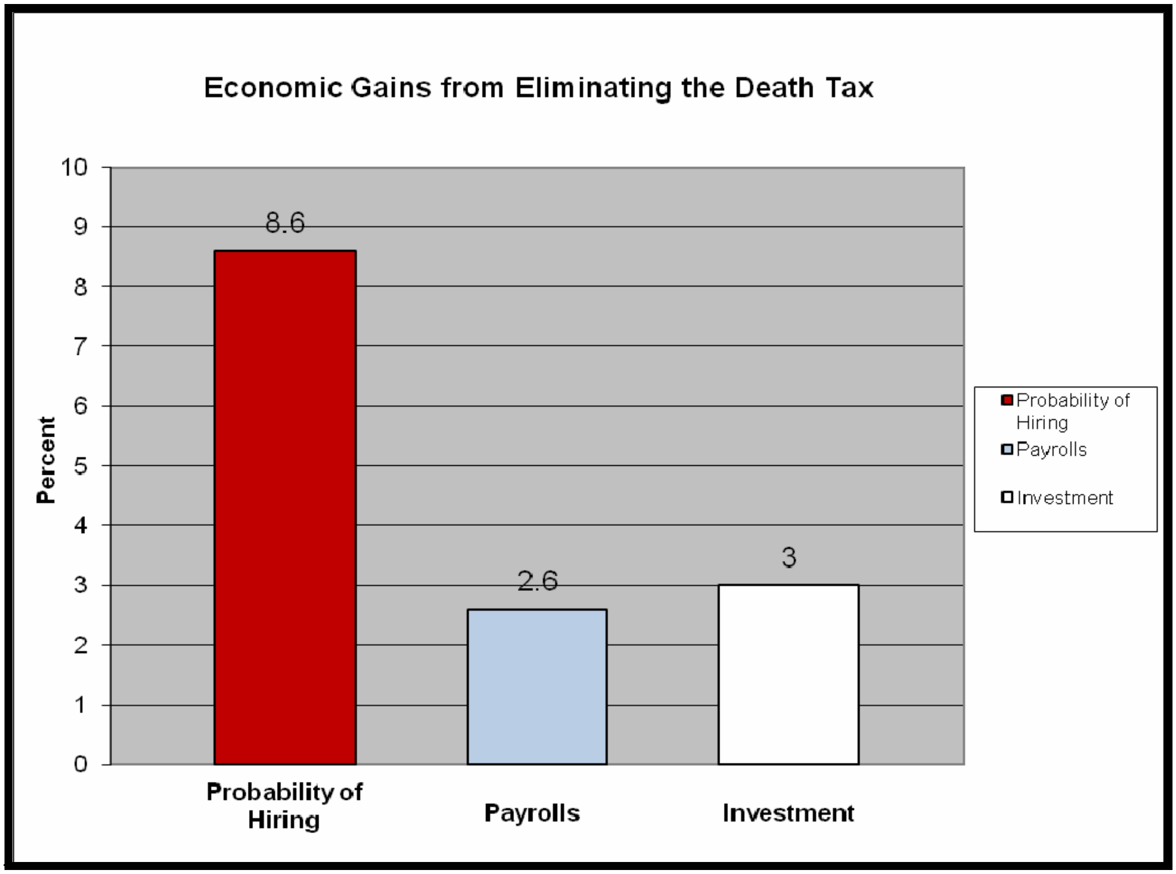
[7] Steve Entin, "Economic Impact of the Estate Tax," 3, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

[8] Barack Obama, "Remarks by the President to Small Business Owners, Community Leaders, and Members of Congress" (The White House: Office of the Press Secretary, March 16, 2009), http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-to-small-business-owners/.

third generation.[9] In a survey of family-owned firms by Prince & Associates asking why such firms fail, 98 percent of respondents pointed to "the need to raise funds to pay estate taxes."[10]

Eliminating the estate tax would ease the transition and encourage economic growth. According to Holtz-Eakin's study, eliminating the death tax would raise the probability of hiring by 8.6 percent, increase payrolls by 2.6 percent, and expand investment by 3 percent. In contrast, allowing rates to rocket to pre-EGTRRA levels would lower payrolls and capital outlays.[11] (Chart 2)

Chart 2



Given that nearly 50 million workers are employed in small business, Holtz-Eakin estimates that elimination of the death tax would lead to roughly 1.5

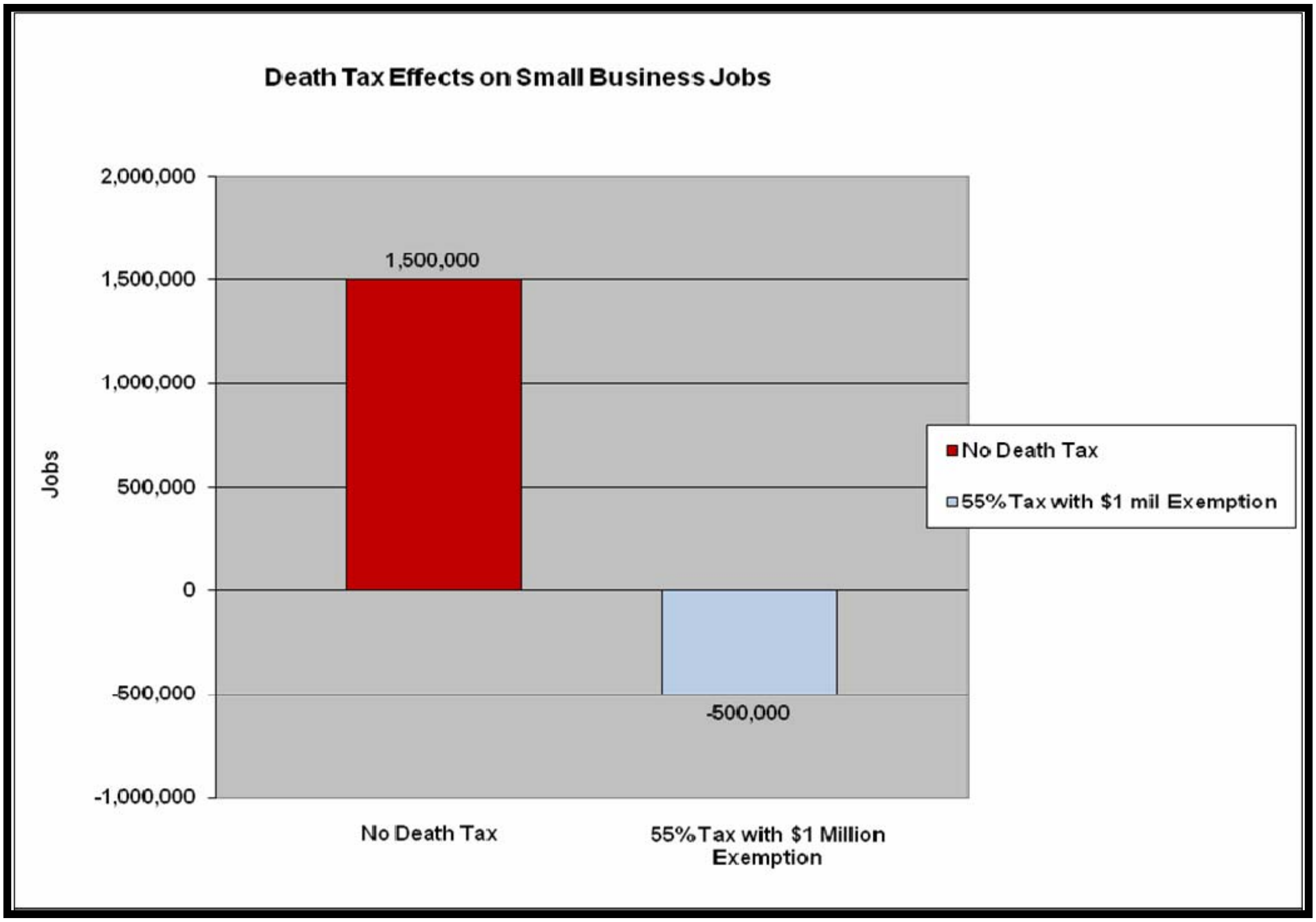
[9] Gene Siciliano, "The Family Run Business: The Good, the Bad, and the Ugly of Succession Planning," *Exchange Magazine*, 12 May 2009. http://www.exchangemagazine.com/morningpost/2009/week20/Tuesday/051211.htm#anchor.

[10] Russ Alan Prince and Karen Maru File, Marketing to Family Business Owners (Cincinnati, OH: National Underwriter, 1995), 35.

[11] Douglas Holtz-Eakin and Cameron T. Smith, "Changing Views of the Estate Tax: Implications for Legislative Options" (Washington, D.C: American Family Business Foundation, 2009), 12, http://www.nodeathtax.org/files/AFBF_Holtz_Eakin_2009.pdf.

million additional small business jobs. Alternatively, a higher estate tax that lowers payrolls by 0.9 percent would result in the loss of more than 500,000 jobs.[12] (Chart 3)

Chart 3



With the recent "stimulus package," Congress and the Administration hope to "save or create" 3.5 million jobs by spending nearly $800 billion. By contrast, the simple elimination of the death tax would give the country almost half that number of jobs, 1.5 million, according to the Holtz-Eakin data.

2. The Death Tax Decreases, Not Increases, Government Revenue

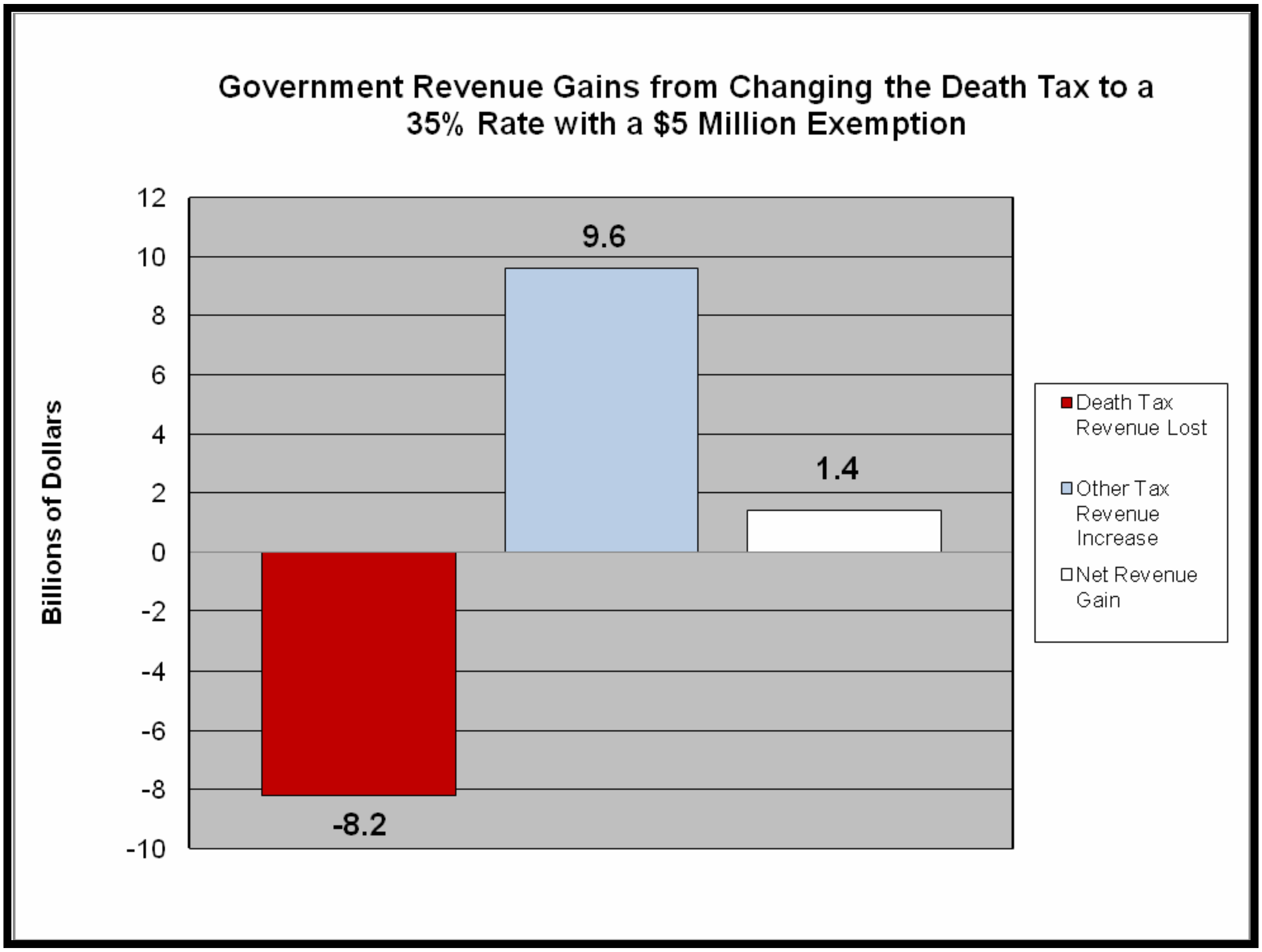
Stephen Entin's study shows that levying the death tax results in a net revenue decrease for the federal government, while the lowering or elimination of the death tax would *increase* the government's revenue substantially. The *apparent net revenue* due to the death tax is illusory, and the government could get nearly twice as much *real* revenue from added economic growth by eliminating the death tax.

[12] Douglas Holtz-Eakin and Cameron T. Smith, "Changing Views of the Estate Tax," 7 http://www.nodeathtax.org/files/AFBF_Holtz_Eakin_2009.pdf.

Entin's comparison of two tax options illustrates the dynamics that bring about these results.

Option One: Allow a $5 million exemption and tax the remainder at a 35% rate. Under this scenario, the government would collect $8.2 billion less from the death tax alone. However, government would more than make up for this loss by bringing in an extra $9.6 billion from the revenues generated by the increased employment and production activity of businesses, including associated increases in personal and payroll taxes, corporate taxes, excise taxes, and other miscellaneous taxes. Thus a loss of $8.2 billion is more than compensated for by an increase of $9.6 billion.[13] This is a stimulus package with clear foreseeable results, with many more happy business owners who employ many more happy employees. (Chart 4)

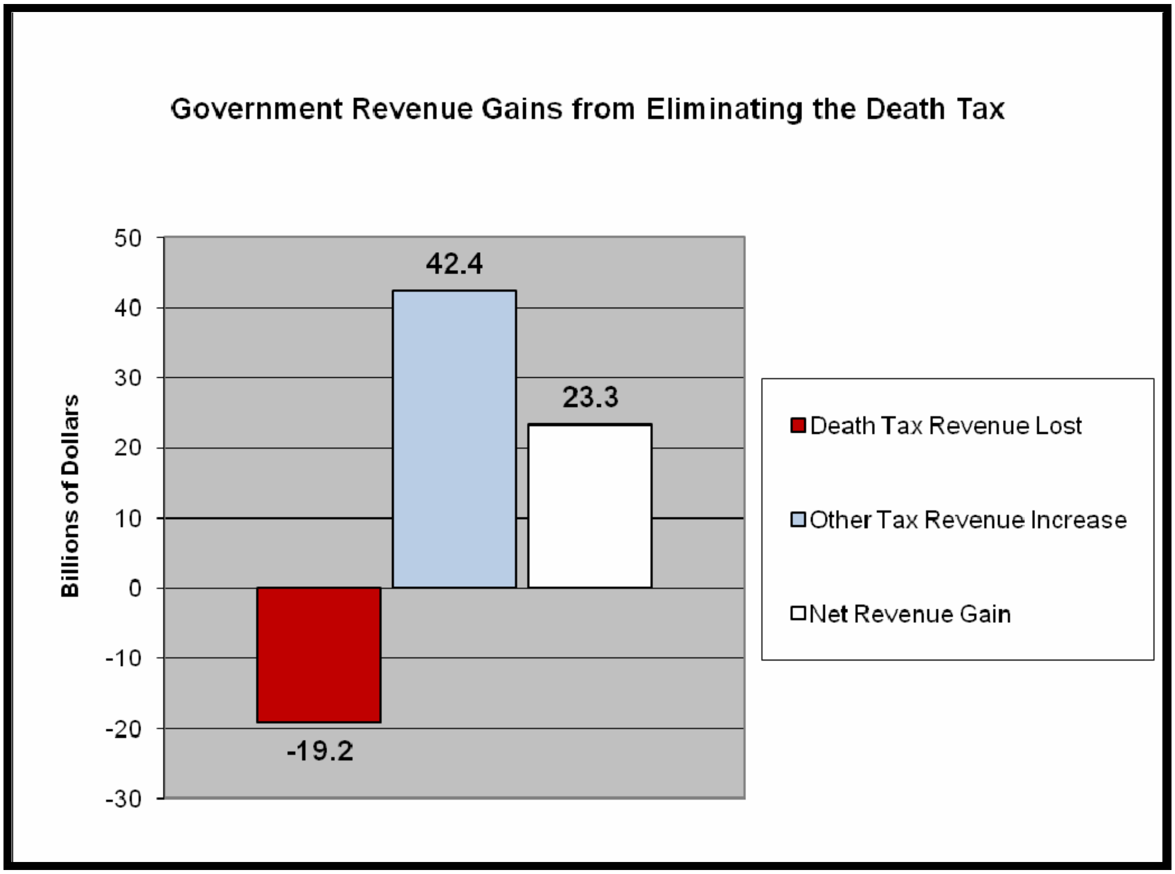
Chart 4



[13] Steve Entin, "Economic Impact of the Estate Tax," 15, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

Option Two: End the death tax. This would increase government revenue by $23.3 billion. Eliminating the death tax (while retaining only the gift tax)[14] would decrease death tax revenue by $19.2 billion, but other tax collections would increase tax revenues by $42.4 billion, resulting in a net revenue gain of $23.3 billion for the federal government. This is a stimulus package for business and the Treasury Department. Both win big. (Chart 5)

Chart 5



3. THE DEATH TAX DESTROYS CAPITAL AND JOBS

The perverse incentives set up by the death tax lead to the destruction of productive small business capital and jobs. Transfer taxes (which include estate and gift taxes) are highly distortive of economic activity. Stephen Entin posits that transfer taxes "probably do the most damage to output per dollar of revenue raised on all the taxes in the U.S. tax system."[15] Transfer taxes have two main negative impacts. First, the added layer of tax on capital income discourages saving and investment—activities highly sensitive to taxation. In addition, the tax is not imposed at a low rate on all of an estate, but instead is imposed at very high marginal tax rates on a very narrow portion (above the

[14] The federal gift tax is a tax on the transfer of any property from one individual to another for nothing or less than full value in return.

[15] Steve Entin, "Economic Impact of the Estate Tax," 3, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

exempt amounts) of the estates subject to tax, collecting little revenue overall while strongly discouraging further increases in investment and wealth creation.

To understand why steep marginal rates like the death tax distort economic activity, it is important to consider a cornerstone of economic analysis: the fact that people make decisions on the margin. As a practical example, imagine an entrepreneur who is worth just under $3.5 million with a growing business. He wishes to pass this business on to his son or daughter, but after his total worth exceeds $3.5 million dollars, any additional wealth he creates is subject to a steep 45% tax rate at death. Before crossing the margin into estate tax territory, many entrepreneurs choose to cut back on further expansion of their businesses. When businessmen know that the death tax will cut any future accumulation in half, they are much less likely to grow their business above the exemption amount. For many, this exemption amount becomes a ceiling above which the now-measly profits are not worth the extra effort. Such a tax policy discourages small business expansion, and thus also discourages job creation. This is why steep marginal tax rates, like the death tax, are so economically harmful.

As Entin states, "When you tax something, you get less of it."[16] To stay competitive, small businesses must reinvest a large portion of their resources into becoming more efficient and productive. When businesses are taxed more because they hire more or purchase new plants and equipment, then they will do less of both. Taxing 45% of an estate means less capital will be available, and as a result businesses will produce less, and earn less.[17] If you take away 45% of anything, you have something much smaller and weaker. Furthermore, families often have to sell off all or part of the business to pay the estate tax. No wonder so many businesses fail to make it to the next generation.

Clearly, all of this has a negative impact on workers in the small business sector, which employs over half of the labor force.[18] Workers bear the brunt of the effect of the taxes imposed on capital. Entin states that "modern economists have shown, through numerous studies, that the work force is better off if taxes on capital income are reduced or eliminated."[19] The death tax, as a large tax on capital, is a significant blow to the size of the workforce and the size of family business workers' paychecks.

Capital accumulation, which has a positive impact on all aspects of operating a successful business, could be increased if the death tax laws were changed as in Option One above or eliminated as in Option Two. According to Holtz-Eakin, in 2004, individual tax returns reported a total of $10.2 trillion in capital. Eliminating the estate tax would increase the capital in estates by over $1.6

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[16] Steve Entin, "Economic Impact of the Estate Tax," 9, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

[17] Ibid., 9, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

[18] http://www.sba.gov/advo/stats/sbfaq.pdf.

[19] Steve Entin, "Economic Impact of the Estate Tax," 9, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

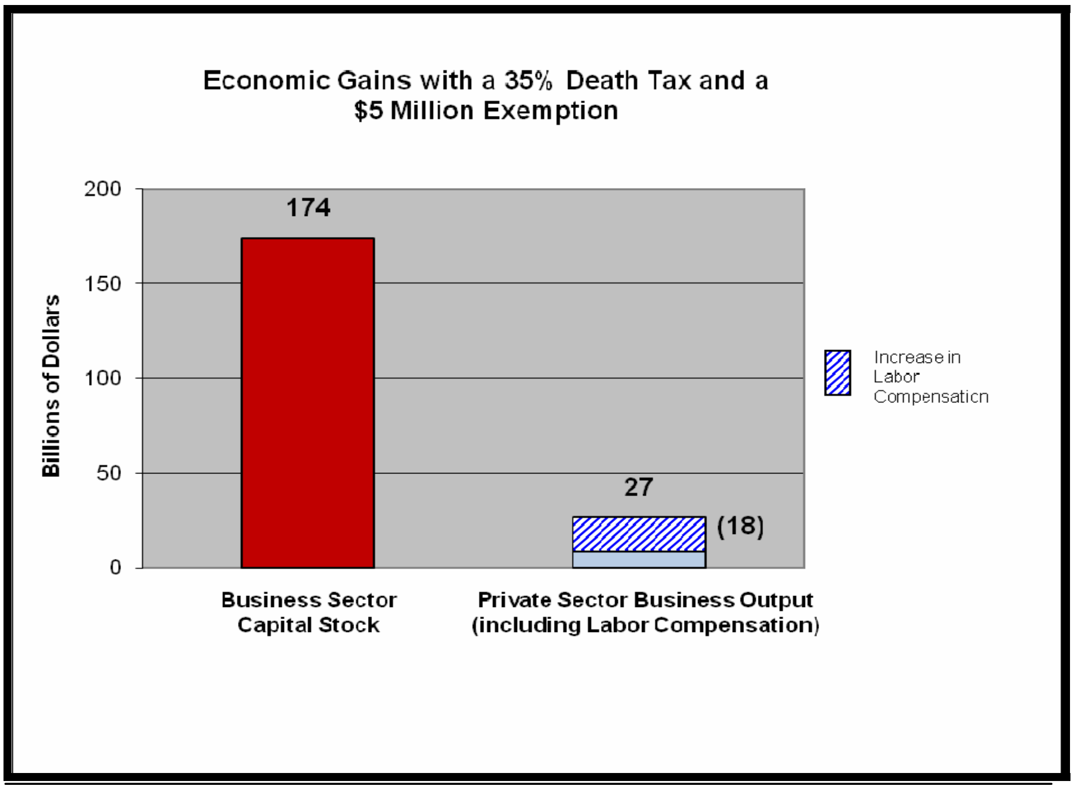
trillion. In sharp contrast, allowing the death tax to return to a $1 million exemption and 55% rate would lower capital accumulation by nearly $540 billion.[20] One option increases the business capital stock of the country; the other decreases it.

4. EVALUATING DEATH TAX OPTIONS

Entin explores a number of different tax policy proposals, including some we have already seen, and estimates their impact on different sectors of the economy and on the economy as a whole.

Option One: Changing the estate tax to a $5 million exemption and a 35% rate. This bipartisan proposal was offered by Sens. Blanche Lincoln (D-Ark.) and Jon Kyl (R-Ariz.) during this year's budget process. The Lincoln-Kyl budget amendment was voted on and passed with the help of 10 Democrats, only to be subsequently stripped out of the budget behind closed doors. Entin shows that this proposal would increase the business sector capital stock by about 0.66% ($174 billion), and raise private sector business output and associated labor compensation by 0.25% (or about $27 billion in output, with two thirds of that, $18 billion, in the form of paid labor compensation).[21] (Chart 6)

Chart 6

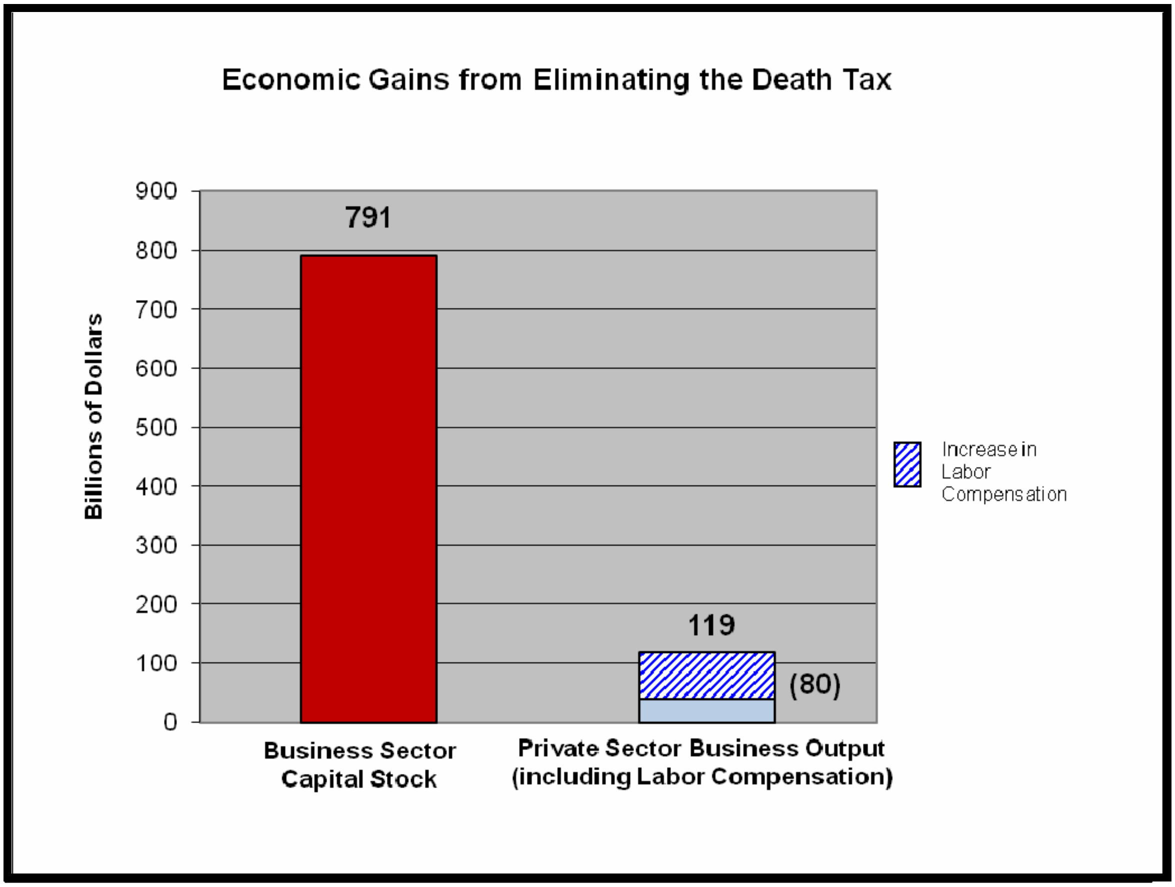


[20] Douglas Holtz-Eakin and Cameron T. Smith, "Changing Views of the Estate Tax," 11, http://www.nodeathtax.org/files/AFBF_Holtz_Eakin_2009.pdf.

[21] Steve Entin, "Economic Impact of the Estate Tax," 15, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

Option Two: Permanently ending the estate tax. Allowing the estate tax to expire permanently, Entin claims, would be four times more powerful than the Lincoln-Kyl proposal. It would increase the business capital stock by more than 3% ($791 billion), and raise private sector output and labor income by about 1.13% ($119 billion in output, including $80 billion in labor compensation).[22] (Chart 7)

Chart 7

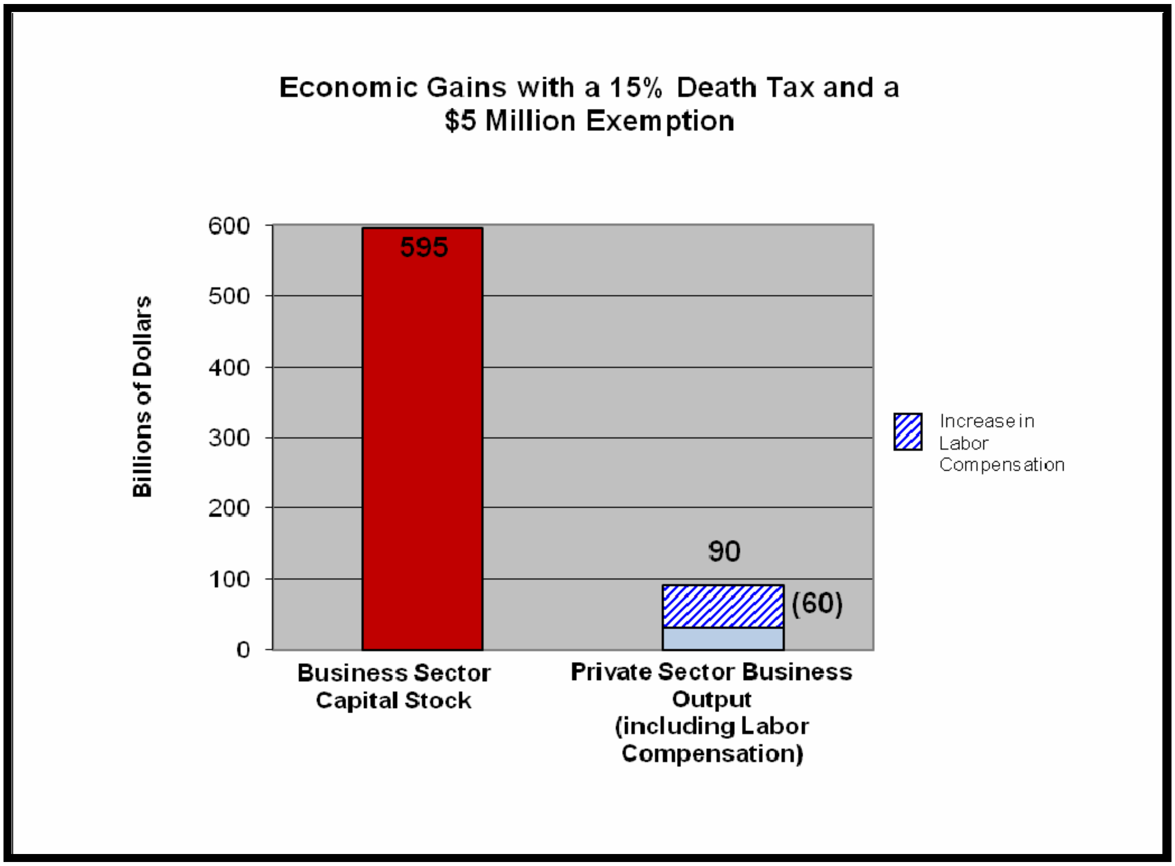


Option Three: $5 million exemption with a top rate of 15%. Senator Kyl put forth this plan in 2006. According to Entin, this plan "would increase the business sector capital stock by 2.27% ($595 billion), and raise private sector output and labor income by about 0.85% ($90 billion in output, including $60 billion in labor compensation), giving 75% of the benefits of full repeal."[23] (Chart 8)

[22] Ibid., 15.

[23] Ibid., 15.

Chart 8



Option Four: Letting pre-EGTRRA law come back into effect. Under this scenario, the exemption would drop, and the rate would increase sharply to capture 55% of any capital in excess of $1 million. Entin shows that this option "would do serious damage. It would reduce the capital stock by 4.52% ($1,186 billion), and cut private sector output and labor compensation by 1.74% ($183 billion in output, including $122 billion in labor compensation)."[24] (Chart 9)

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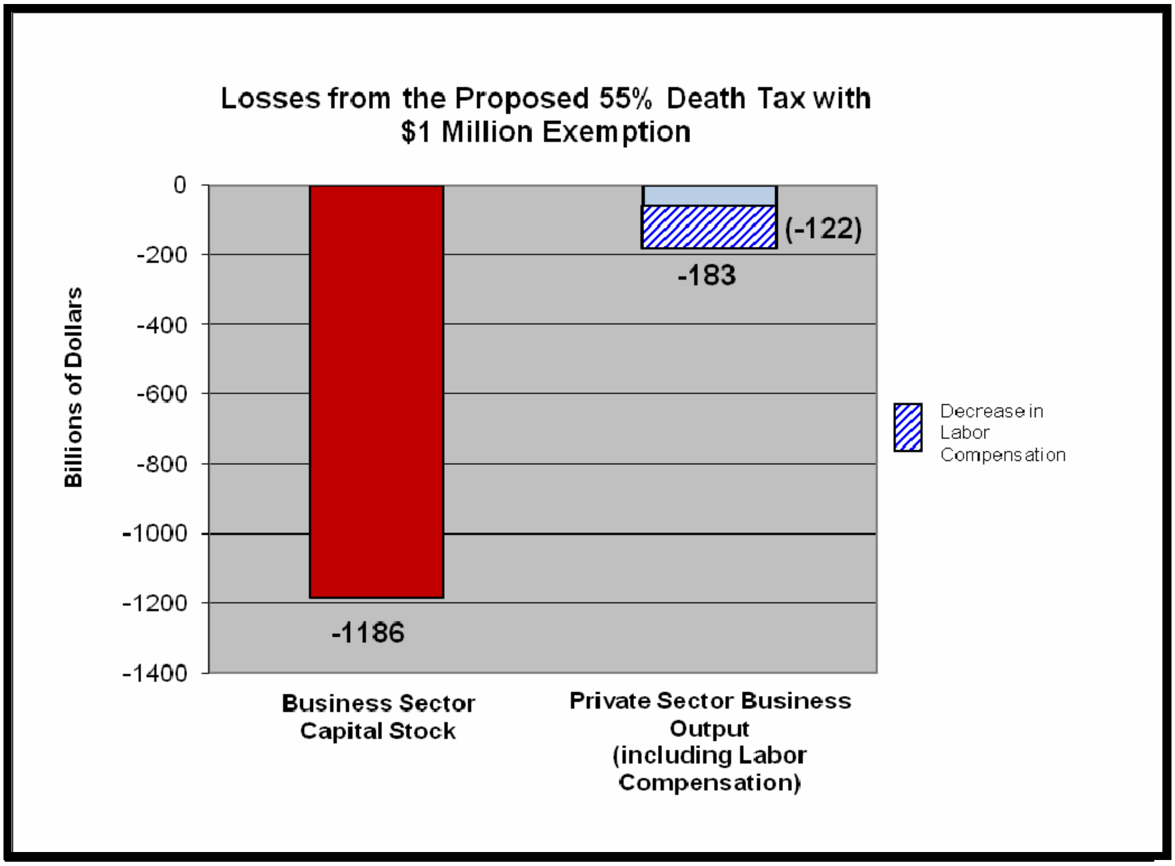
[24] Ibid., 15.

Chart 9



Options Five and Six: Using the Lincoln-Kyl plan ($5 million exempt and a 35% rate) as a baseline, Entin explores how slight changes to the plan, which appear to give the same superficial static estate tax revenue, would affect the economy. Entin states that "a reform with the current credit, exempting $3.5 million, but with a lower top tax rate of 28%, would generate 70% more economic growth ($18.4 billion more) than Lincoln-Kyl, as well as a net revenue gain ($7.6 billion more). By contrast, a plan with a lower exemption of $1 million and an even lower tax rate of 18% would generate less economic growth ($2.7 billion less) and net revenue gain ($0.5 billion less) than Lincoln-Kyl."[25] (Charts 10 and 11)

[25] Steve Entin, "Economic Impact of the Estate Tax," Tables 2 and 3, pp. 15-16, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

Chart 10

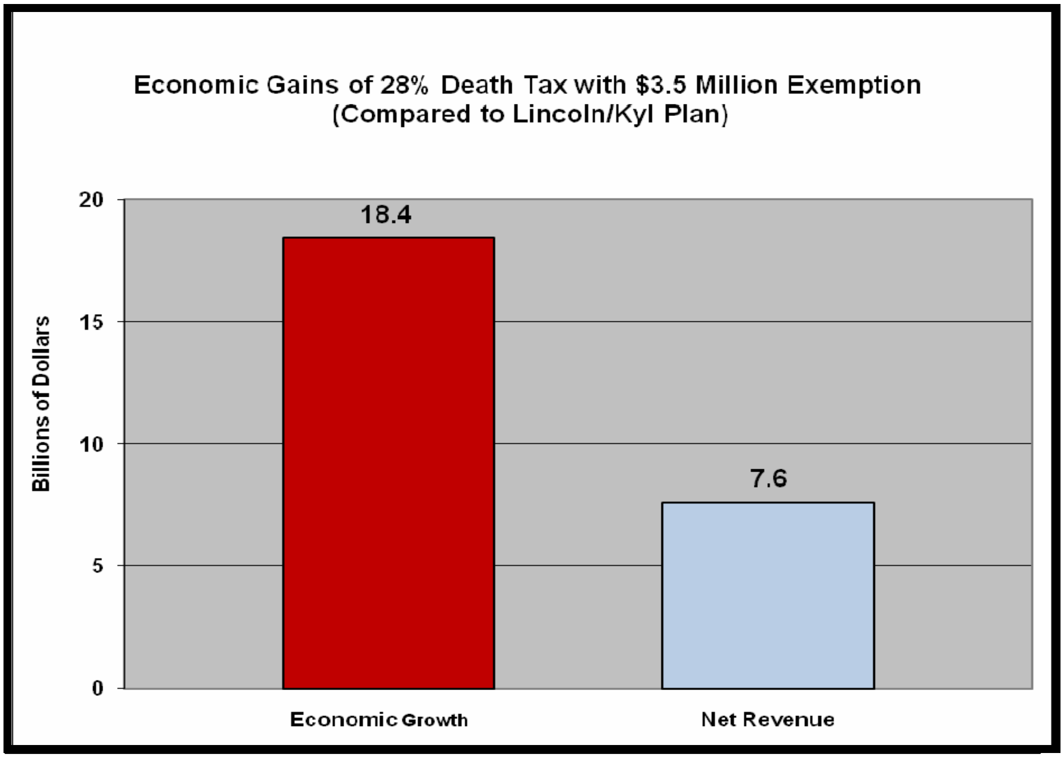
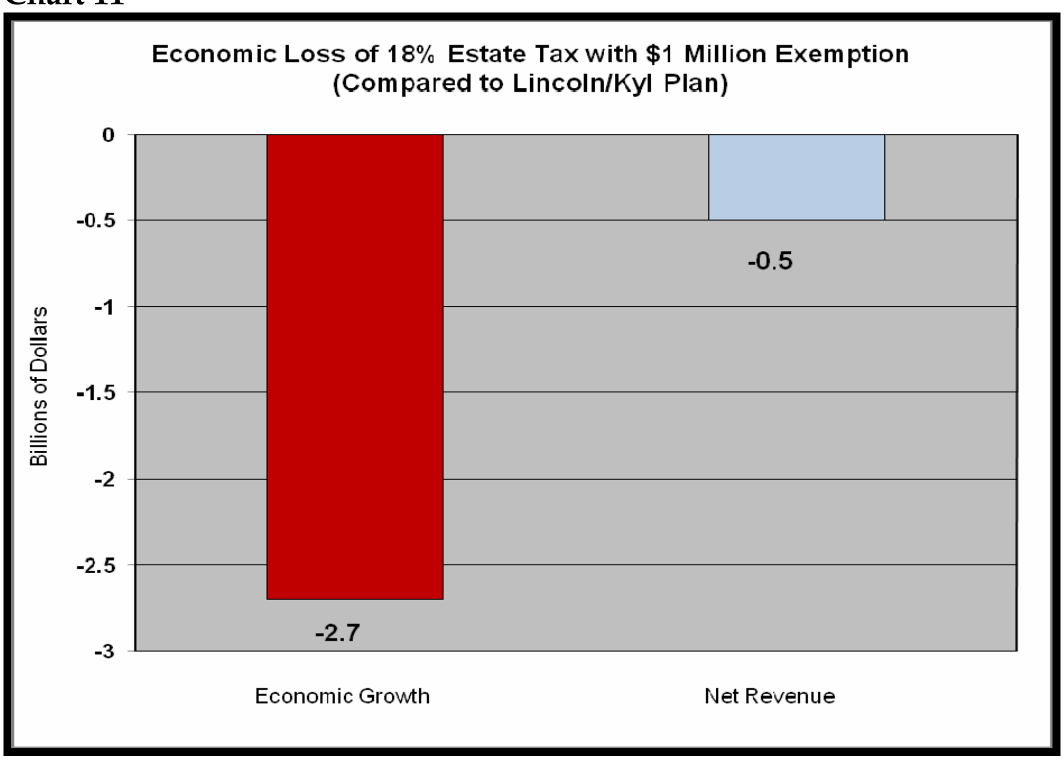


Chart 11



5. Taxing Money That Has Already Been Taxed[26]

The estate tax is one of many layers of tax on savings and investments in the U.S. tax system. Income that is saved is taxed more heavily than income that is used for consumption. The income tax raises the cost of saving by more than the cost of consuming, and tilts behavior away from saving. The tax system thereby discriminates against the saving and investment that create jobs and make the country's economy grow. There are at least four layers of possible tax on income that is saved:

1) Income is taxed when first earned. If the after-tax income is spent on consumption items, such as food, clothing, health care, cars, or consumer electronics, one can generally enjoy these items with no additional federal tax (except for a few federal excise taxes, chiefly on gasoline, tobacco, and alcohol).

2) However, if the after-tax income is used to buy a bond or stock, or to invest in a small business, there is another layer of personal income tax on the stream of interest, dividends, profits, or capital gains received on the savings (which is a tax on the "enjoyment" that one "buys" when one saves).

3) If the savings is in corporate stock, there is also the corporate tax to be paid before any distribution to the shareholder, or any reinvestment of retained after-tax earnings. Reinvested income raises the value of a business and creates a capital gain. Therefore, whether the after-tax corporate income is paid as a dividend, or retained and reinvested by the business, the result is that corporate income is taxed twice.

4) If more than a modest amount is left at death, or unless large sums are given away, the income is taxed again by the estate and gift tax.

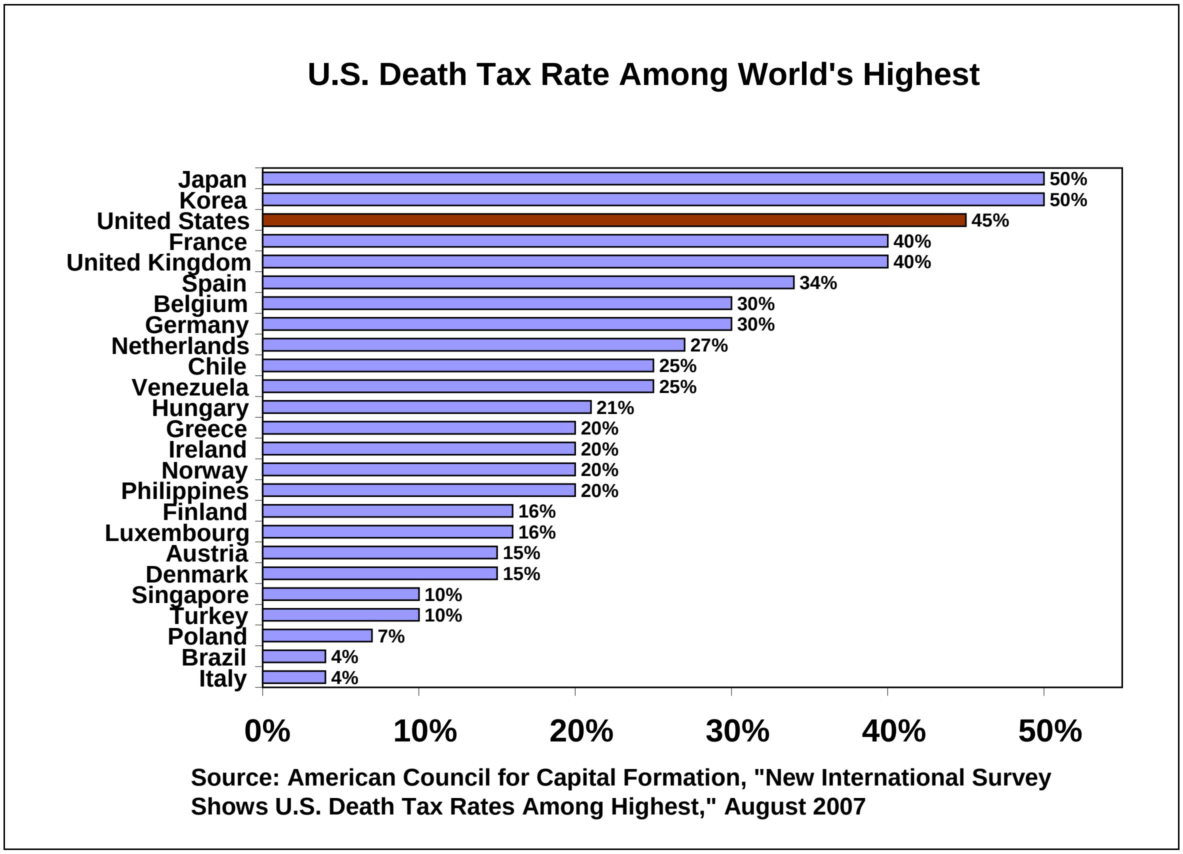
6. U.S. Death Tax Rate: One of the Highest in the World[27]

Chart 12 shows that the United States death tax rate is one of the highest in the world. Many leading nations have no death tax, including three of the big four emerging tigers, Russia, China, and India. The fourth, Brazil, has a top estate tax rate of 4%. Some of the other nations without estate taxes include Canada, Mexico, Sweden, Australia, and New Zealand.

[26] Entire section taken from Steve Entin, "Economic Impact of the Estate Tax," 8-9, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

[27] Entire section taken from Steve Entin, "Economic Impact of the Estate Tax," 8, http://www.nodeathtax.org/files/AFBF_Entin_2009.pdf.

Chart 12



7. AMERICANS OVERWHELMINGLY SUPPORT REPEAL

The death tax consistently polls as the least fair and most unpopular tax in America.[28] In keeping with the tradition of the death tax's unpopularity in America, the Tax Foundation's latest study found that nearly two thirds of Americans support permanent repeal of the death tax.[29] Those polled also viewed the death tax as the least fair and least popular tax. When asked, most of these repeal proponents are against the tax for common sense reasons—they don't believe that death should qualify as a taxable event. Entin and Holtz-Eakin's latest studies, pointing out the crushing impact the death tax has on the economy, should compound Americans' commonsense rejection of the tax.

[28] Matt Moon, "How Do Americans Feel about Taxes Today?" 166 (Tax Foundation. April 2009): 1.

[29] Ibid., 1.

CONCLUSION

This study of our nation's death tax policies underscores the eloquence of the words of David Hume:

> I shall conclude this subject with observing, that we have, with regard to taxes, an instance of what frequently happens in political institutions, that the consequences of things are diametrically opposite to what we should expect on first appearance.[30]

As Henry Hazlitt states in his classic *Economics in One Lesson*, "The art of economics consists in looking not merely at the immediate but at the longer run effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups."[31]

It is clear that all groups, and especially those most productive, would benefit from the permanent repeal of the death tax.

The estate tax has significant negative impacts on overall capital accumulation in the United States, with consequent and immediate impacts on employment, productivity and economic growth. Allowing the tax to revert to the high marginal rates and low exemption of the 1990s would decrease the number and size of businesses and eliminate jobs for workers, thus reducing the size of the U.S. economy. Eliminating the estate tax would increase business capital, jobs for workers, and government revenue. As shown in Appendix I, these negative effects on the larger economy are an aggregation of the states' employment cuts. Repealing the death tax could increase states' job figures and overall economies.

The best outcome is obvious: elimination of the death tax. A full repeal increases jobs and expands the economy. It also increases government revenue most. It is rare that such a win-win scenario on taxes and the economy presents itself so clearly to Congress. This scenario is made even more compelling by the present macroeconomic situation, one in which government is looking for many ways to improve the economy and is also seeking more sources of revenue. Eliminating the death tax does both. No other stimulus package can deliver so many patently clear benefits as simply ending the federal estate tax permanently.

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[30] David Hume, "Of Taxes," *Writings on Economics*, ed. Eugene Rotwein (Madison, WI: University of Wisconsin Press, 1955): 83, 88.

[31] Henry Hazlitt, *Economics in One Lesson: The Shortest and Surest Way to Understand Basic Economics*, http://jim.com/econ/contents.html.

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The American Family Business Foundation (AFBF) is the research and education voice of America's family business owners and farmers. Established in 2008, the Foundation publishes reports that examine critical policy questions about the impact the estate tax has on capital accumulation, family businesses, employment, income mobility and wealth disparity, federal revenues and the general economy. In addition to academic research, the Foundation hosts educational events designed to drive the public debate about the estate tax. Finally, the Foundation's principals are policy experts that are frequently called upon to provide insight on estate tax issues.

Family Research Council has been the voice of the family in Washington, D.C. since 1983 and is delighted to partner with the American Family Business Foundation to bring this study to its co-publishing partners.

APPENDIX I

State numbers are estimations by Dr. Douglas Holtz-Eakin.

	Employees in Small (<500) Firms	Percent of U.S. total	Number of Jobs Gained from Repeal	Number of Jobs Lost with $1 million exemption and 55% rate
United States	60,223,740	100.0%	1,500,000	500,000
Alabama	851,256	1.4%	21,202	7,067
Alaska	134,406	0.2%	3,348	1,116
Arizona	1,139,177	1.9%	28,374	9,458
Arkansas	508,256	0.8%	12,659	4,220
California	7,201,944	12.0%	179,380	59,793
Colorado	1,044,579	1.7%	26,017	8,672
Connecticut	786,953	1.3%	19,601	6,534
Delaware	187,546	0.3%	4,671	1,557
District of Columbia	215,206	0.4%	5,360	1,787
Florida	3,316,676	5.5%	82,609	27,536
Georgia	1,679,327	2.8%	41,827	13,942
Hawaii	287,565	0.5%	7,162	2,387
Idaho	320,120	0.5%	7,973	2,658
Illinois	2,638,159	4.4%	65,709	21,903
Indiana	1,300,278	2.2%	32,386	10,795
Iowa	668,226	1.1%	16,644	5,548
Kansas	624,119	1.0%	15,545	5,182
Kentucky	776,416	1.3%	19,338	6,446
Louisiana	861,192	1.4%	21,450	7,150
Maine	308,156	0.5%	7,675	2,558
Maryland	1,192,415	2.0%	29,700	9,900
Massachusetts	1,471,428	2.4%	36,649	12,216
Michigan	1,969,085	3.3%	49,044	16,348
Minnesota	1,262,667	2.1%	31,449	10,483
Mississippi	471,121	0.8%	11,734	3,911
Missouri	1,227,501	2.0%	30,574	10,191
Montana	238,967	0.4%	5,952	1,984
Nebraska	405,538	0.7%	10,101	3,367
Nevada	514,597	0.9%	12,817	4,272
New Hampshire	316,884	0.5%	7,893	2,631
New Jersey	1,861,971	3.1%	46,376	15,459
New Mexico	358,526	0.6%	8,930	2,977
New York	3,897,064	6.5%	97,065	32,355
North Carolina	1,713,105	2.8%	42,669	14,223
North Dakota	176,263	0.3%	4,390	1,463
Ohio	2,343,233	3.9%	58,363	19,454
Oklahoma	690,052	1.1%	17,187	5,729
Oregon	836,079	1.4%	20,824	6,941
Pennsylvania	2,587,286	4.3%	64,442	21,481
Rhode Island	251,666	0.4%	6,268	2,089
South Carolina	816,088	1.4%	20,326	6,775
South Dakota	205,503	0.3%	5,118	1,706
Tennessee	1,114,884	1.9%	27,769	9,256
Texas	4,074,706	6.8%	101,489	33,830
Utah	518,136	0.9%	12,905	4,302
Vermont	167,499	0.3%	4,172	1,391
Virginia	1,566,653	2.6%	39,021	13,007
Washington	1,349,198	2.2%	33,605	11,202
West Virginia	316,449	0.5%	7,882	2,627
Wisconsin	1,324,422	2.2%	32,988	10,996
Wyoming	135,197	0.2%	3,367	1,122

APPENDIX II

DOUGLAS HOLTZ-EAKIN: Douglas Holtz-Eakin is President of DHE Consulting, LLC. He served most recently as Director of Domestic and Economic Policy for the John McCain presidential campaign. He has also recently been Senior Fellow at the Peter G. Peterson Institute for International Economics, and the Director of the Maurice R. Greenberg Center for Geoeconomic Studies and the Paul A. Volcker Chair in International Economics at the Council on Foreign Relations. Prior to that, Dr. Holtz-Eakin served as the sixth Director of the Congressional Budget Office, where he was appointed for a four-year term beginning February 4, 2003. Dr. Holtz-Eakin previously served for eighteen months as Chief Economist for the President's Council of Economic Advisers. Prior to that, Dr. Holtz-Eakin served as a Trustee Professor of Economics at the Maxwell School, Syracuse University. At the Maxwell School, he served as Chairman of the Department of Economics and Associate Director of the Center for Policy Research.

STEPHEN J. ENTIN: Stephen J. Entin is President and Executive Director of the Institute for Research on the Economics of Taxation (IRET) in Washington, DC. He was a consultant for the National Commission on Economic Growth and Tax Reform (the Kemp Commission), and was also a member of the New York State Tax Advisory Panel established by Governor Pataki in 2005. Mr. Entin is a former Deputy Assistant Secretary for Economic Policy at the Department of the Treasury. Prior to joining Treasury, Mr. Entin was a staff economist with the Joint Economic Committee of the U.S. Congress, where he developed legislation for tax rate reduction and incentives to encourage saving.