

Cry Wolf Project

The Estate Tax: Making the Nation's Tax System Fair and Progressive

By Joseph J. Thorndike

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Introduction

In the annals of American fiscal history, 2010 was nearly a tragic anomaly. Thanks to a legislative maneuver engineered by Republicans in 2001, the federal estate tax was slated to disappear on January 1, 2010, only to come roaring back on the first day of 2011. Few expected this one-year tax holiday to actually materialize; most thought Congress would approve permanent repeal well before the whipsaw deadline. In fact, though, lawmakers *did* allow the estate tax to disappear. And then, in the waning days of 2010, they seemed certain to let it return, too.

No longer hoping for complete repeal, Republicans made the case for a diminished tax, relying on a range of familiar arguments. The estate tax, they insisted, was unwise, unfair, and unpopular. It slowed economic growth by depleting investment capital, costing average workers their jobs even as it cost wealthy Americans their birthright. It placed unreasonable burdens on small businesses and family farms, forcing many to liquidate in the face of crushing tax bills. Perhaps most damning, it flouted American values like thrift and hard work. “The American dream is that you can start from nothing in this country and you can build something and you can give the fruits of your labor to your children,” declared Sen. Kay Bailey Hutchinson in late 2010. “Who are we to take that away?”¹

These were old and well rehearsed arguments. But they were not convincing ones. Since at least the 1920s, estate tax opponents had been trotting out the same litany of warnings and complaints. But the estate tax has been a vital feature of the federal tax system for almost a century, and somehow the economy has continued to grow, small businesses have managed to thrive, and Americans have held on to their dreams. Indeed, the estate tax has helped make those dreams possible by ensuring that federal tax burdens are distributed more fairly and progressively than they otherwise would be. Far from being some sort of monstrous creation of a left-wing conspiracy, the estate tax has been a relatively modest but wholly vital instrument of progressive taxation.

Legislative History

Until the 20th century, Congress taxed estates only wartime. The first federal tax on inherited wealth came during the so-called Quasi-War with France – an undeclared, mostly naval contest that stretched from 1798 to 1800. This levy, which took the form of a stamp tax on legal documents, lapsed in 1802. In 1862, the Union Congress used an

¹ Sen. Kay Bailey Hutchinson, R-Texas, *Congressional Record*, December 2, 2010, S8389.

inheritance tax to help pay for the Civil War. That tax disappeared in 1870. In 1898, lawmakers used another legacy tax to help fund the Spanish-American War. And then lawmakers let that tax expire, too, repealing it in 1902.²

The modern estate tax appeared in 1916, and like its predecessors, it began as a war levy. The outbreak of World War I had depressed tariff revenue, even as President Woodrow Wilson was asking Congress for an expensive preparedness program. The Democratic majority in Congress, with support from progressive Republicans, responded with a range of excise and income taxes. They also established a new estate levy featuring rates that ranged from 1 percent to 10 percent and an exemption of \$50,000 (roughly \$1 million in price-adjusted 2010 dollars).³

Mainstream Republicans attacked both, as did their journalistic allies. “The Democratic Congress is not merely open and unblushing in its use of class legislation to provide new revenues for the Government, it is proud of it,” complained the *New York Times* editorial page.⁴ Democrats insisted, however, that fairness required progressive tax reform. “An irrepressible conflict has been raging for a thousand years between the strong and the weak, and the former always trying to heap the chief tax burdens upon the latter,” declared Rep. Cordell Hull. “The conflict still continues.”⁵ Indeed, the 1916 estate tax – the direct ancestor of all future federal taxes on inherited wealth – reflected changing attitudes about the nature of fair taxation and distributional equity.⁶

Democratic members of the House Ways and Means Committee encapsulated these new attitudes in their report defending the estate tax. The committee managed to blend two distinct principles of tax fairness into a single -- and powerful -- rationale for taxing the rich: “It is therefore deemed proper that, in meeting the extraordinary expenditures for the Army and Navy, our revenue system should be more evenly and equitably balanced and a

² John R. Luckey, “A History of Federal Estate, Gift, and Generation-Skipping Taxes,” ed. Congressional Research Service (Washington, DC: Congressional Research Service, 2009), 2-5. For a brief moment in the mid-1890s, Congress taxed inheritances like regular income using the short-lived income tax of 1894. That law, however, was struck down by the Supreme Court in 1895 and never took effect.

³ The relative value of this exemption (or any other historical value, for that matter) is open to some debate. For a useful summary and handy calculator, see <http://www.measuringworth.com>.

⁴ “The New Revenue Bill,” *New York Times*, 3 July 1916, 8.

⁵ For Hull quotation, see CR 53:10655-10657. More generally on the 1916 revenue debate, see Sidney Ratner, *Taxation and Democracy in America* (New York: John Wiley and Sons, 1967), 341-61.

⁶ Luckey, “A History of Federal Estate, Gift, and Generation-Skipping Taxes,” 5; William H. Gates and Chuck Collins, *Wealth and Our Commonwealth: Why America Should Tax Accumulated Fortunes* (Boston: Beacon Press, 2002), 32-36. On the politics surrounding the Revenue Act of 1916, see W. Elliot Brownlee, “Wilson and Financing the Modern State: The Revenue Act of 1916,” *Proceedings of the American Philosophical Society* 129, no. 2 (1985).

larger portion of our necessary revenues collected from the incomes and inheritances of those deriving the most benefit and protection from the Government."⁷ On one hand, this statement stressed the importance of ability to pay, an idea much in vogue around the turn of the 20th century, especially with leading tax economists like Edwin R.A. Seligman and Thomas S. Adams. At the same time, it invoked the benefit principle, suggesting that those receiving the most from government should also pay the most to support it.⁸

Such arguments had been making headway for decades, as galloping industrialization fostered surging inequality. Support for estate tax had come from all sectors of society, including some surprising ones. Industrial magnate Andrew Carnegie, for instance, was an early and influential fan of taxing estates. "Of all forms of taxation this seems the wisest," he wrote in the 1880s.

Men who continue hoarding great sums all their lives, the proper use of which for public ends would work good to the community from which it chiefly came, should be made to feel that the community, in the form of the State, cannot thus be deprived of its proper share By taxing estates heavily at death the State marks its condemnation of the selfish millionaire's unworthy life.⁹

President Theodore Roosevelt endorsed inheritance taxation for similar reasons. "The man of great wealth owes a peculiar obligation to the State, because he derives special advantages from the mere existence of government," he said in 1906.¹⁰

The escalation of World War I brought further hikes in the estate tax. Rates more than doubled and new brackets appeared to distinguish between estates that were simply big (worth more than \$50,000) and those that were truly enormous (worth more than \$8 million, or \$135 million in 2010 dollars). By and large, supporters defended the tax as a means to redistribute the *tax burden* rather than wealth. To be sure, some champions of progressive taxation stressed the need to curb hereditary fortunes. Even then, however, they usually cast the tax primarily as a revenue tool, with social reform thrown in for good measure. "Many of the enormous fortunes of this country far exceed any service the recipients of these swollen fortunes have ever rendered society," observed Rep. Clement C. Dickinson, "and the time is ripe and opportune to levy graduated income and inheritance taxes for needed revenues."¹¹ (This quotation, incidentally, demonstrates the loose terminology at play during most estate tax debates; while tax experts distinguished between inheritance taxes levied on heirs and estate taxes levied on a deceased person's body of wealth, most popular debates over succession taxes conflate the two terms.)

⁷ H.R. Rep. No. 64-922, 1 (1916).

⁸ For an introduction to Seligman's thought and various notions of tax fairness, see Ajay K. Mehrotra, "Edwin R.A. Seligman and the Beginnings of the U.S. Income Tax," *Tax Notes*, Nov. 14, 2005, 933, also available in the "Readings" section of the Tax History Project's Web site at <http://www.taxhistory.org>.

⁹ Andrew Carnegie, *The gospel of wealth, and other timely essays*. New York, Century, 1900, 11.

¹⁰ John T. Woolley and Gerhard Peters, The American Presidency Project [online]. Santa Barbara, CA. Available from <http://www.presidency.ucsb.edu/ws/?pid=29547>.

¹¹ 53 Cong. Rec. 11, 10602 (1916).

After the end of World War I, Americans began a long and sustained debate about the future of progressive taxation, with many Republicans urging a return to using consumption taxes (including tariff duties) as the mainstay of federal finance. Much of this debate focused on the income tax, which had become a vital revenue tool during the war. But the estate tax also figured prominently as Treasury Secretary Andrew Mellon campaigned tirelessly for its repeal. Initially, Democrats were able to deflect Mellon's efforts, and they even managed to raise the tax in 1924.¹² But in 1926, Mellon won a substantial reduction in rates, as well as an increase in exemptions. Both changes helped reduce the bite of this progressive levy.

The 1930s brought another major battle over estate and inheritance taxes. The Great Depression had prompted Republicans to abandon many of their cherished tax cuts from the 1920s; convinced that balanced budgets were vital to recovery, they raised taxes across the board, including those on estates. But Franklin Roosevelt insisted on raising estate levies even further. In 1935, he proposed a new inheritance tax to be imposed on top of the existing estate levy. And unlike many of his progressive forebears, he was not shy about arguing for the redistribution of wealth. "Great accumulations of wealth cannot be justified on the basis of personal and family security," he declared. "In the last analysis such accumulations amount to the perpetuation of great and undesirable concentration of control in a relatively few individuals over the employment and welfare of many, many others." Congress responded to such rhetoric by raising rates for the existing estate tax, ignoring the cries of outraged Republicans and business leaders, who insisted that the new rates would slow recovery and punish small businesses.

As the estate tax matured over the remainder of the 20th century, it was remarkably well tolerated and generally uncontroversial – surprising given the vitriol that surrounded it during the 1920s and 1930s.¹³ After World War II, exemptions and rates stayed remarkably constant, as did the number of estates actually subject to the tax. By the 1970s, inflation had eroded the exemption enough to expand the scope of the tax substantially, but a flurry of reforms returned the tax to its historical role as a levy on large fortunes. It remained in that role for another twenty years until opponents mustered a powerful campaign – reminiscent of the 1920s but imbued with distinctly modern political sophistication – to repeal the levy entirely.

In 2001, Republican critics of the estate tax, including President George W. Bush, engineered passage of complete repeal – after a fashion. Lawmakers phased out the tax by gradually raising exemptions and lowering rates over the course of a decade, with full repeal slated for 2010. But then, in a feat of budgetary legerdemain, the tax was scheduled to return in 2011 at the same levels used in 2001.¹⁴ This one-year tax holiday

¹² Ratner, *Taxation and Democracy in America*, 419.

¹³ Michael J. Graetz and Ian Shapiro, *Death by a Thousand Cuts: The Fight over Taxing Inherited Wealth* (Princeton, N.J.: Princeton University Press, 2005), 6.

¹⁴ Center on Budget and Policy Priorities, "Policy Basics: The Estate Tax," June 14, 2010, available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=2698>

(designed to sidestep budgetary rules making expensive tax cuts hard to pass) was never expected to materialize; opponents of the estate tax assumed it would be permanently repealed well before the deadline.

As 2010 drew to a close, however, Democrats controlled both Congress and the White House, if only barely. As part of a bipartisan compromise with Republicans, Democratic leaders agreed to extend a weak version of the estate tax. Featuring the lowest rates and highest exemptions in estate tax history, this new levy was slated to expire again in two years, ensuring that estate tax debates would resume after a brief hiatus.¹⁵

Crying Wolf

For much of the past century, estate taxes have been relatively uncontroversial. Democrats and Republicans have sparred over rates and exemptions, sometimes with vigor, but the legitimacy of the tax itself was broadly accepted. At least twice, however, critics have mounted powerful campaigns to repeal the estate tax. First in the 1920s and later in the 1990s and 2000s, they have described the levy as unwise, unfair, and un-American: Unwise because it slows economic growth, unfair because it ruins small businesses, and un-American because it undermines cherished values of thrift, hard work, and familial obligation.

Unwise

One of the most common arguments against the estate tax concerns its effect on economic growth. Critics have insisted, both today and in decades past, that the levy robs the economy of capital, curbs investment, and fosters unemployment. “Of all taxes imposed by the federal government, the estate tax is one of the most harmful to economic growth when measured on a per-dollar-of-revenue-raised basis,” concluded a key 1998 study by the Republican-controlled Joint Economic Committee. “Although the estate tax is relatively small in terms of revenue raised, it exerts a disproportionately negative impact on the economy.”¹⁶ Similar indictments are common:

- “The death tax slows economic growth, destroys jobs, and suppresses wages because it is a tax on capital and on entrepreneurship.”¹⁷
- “Higher living standards are possible only if people invest by setting aside some of today’s income. But a punitive death tax, especially when combined with other

¹⁵ The new estate tax, authorized for only two years, features a \$5 million exemption and a 35 percent rate.

¹⁶ Dan Miller, "The Economics of the Estate Tax: A Study Prepared for the Use of the Joint Economic Committee of the Congress of the United States," (Government Printing Office, 1998), 17.

¹⁷ Curtis Dubay, "The Economic Case against the Death Tax," Heritage Foundation, <http://www.heritage.org/Research/Reports/2010/07/The-Economic-Case-Against-the-Death-Tax>.

forms of double taxation on capital gains and dividends, reduces the incentive to save and invest. Scholars who have examined this issue estimate that the death tax has reduced America's stock of saving and investment by nearly \$850 billion. Moreover, the death tax is a job killer, reducing employment by 1.5 million."¹⁸

- "The estate tax destroys jobs by reducing the stock of capital – the funds which businesses use to open new operations and create jobs."¹⁹

Such arguments are hardly new. In the 1920s and 1930s, estate tax foes argued consistently that federal estate taxes were a drag on the economy. "These taxes are a levy upon capital," Andrew Mellon declared in 1924. "There is no requirement in our law, as there is in the English law, that the proceeds from estate taxes shall go into capital improvements of the Government. In other words, capital is being destroyed for current operating expenses and the cumulative effect of such destruction cannot fail to be harmful to the country."²⁰ Other critics echoed this sentiment:

- "Removing the capital from the hands of the owner and putting it into the hands of the Government is only, in the main, taking it from the live hand and putting it into the dead hand. So the only possible result of extending the scope of confiscation by the dead hand is to limit the amount of productive enterprise and, therefore, the amount that can be paid in wages."²¹
- "Another seriously untoward effect unavoidably inherent in inheritance taxation is that by such taxation a portion of the capital fund of the nation is transferred into the coffers of the Government, and by it used for operating expenses."²²
- "Income and inheritance taxes which are in effect confiscatory destroy themselves by transferring capital in private hands, essential to private enterprise, to unproductive public funds."²³

Dire warnings notwithstanding, however, economists have never established that the estate tax has *any* negative effect on capital formation. According to the Congressional Research Service, "neither economic theory nor empirical evidence indicate that the estate tax is likely to have much effect on savings."²⁴ Indeed, the overall effect of estate

¹⁸ Daniel J. Mitchell, "Abolish the 'Death Tax'." April 23, 2009.

http://www.cato.org/pub_display.php?pub_id=10143 (accessed December 10, 2011).

¹⁹ American Family Business Institute, "Kill the Death Tax," American Family Business Institute, <http://www.nodeathtax.org/deathtax/killthedeathtax#destroy>.

²⁰ Andrew W. Mellon, *Taxation: The People's Business* (New York,: The Macmillan Company, 1924), 121-22.

²¹ Samuel Crowther, "Things as They Are," *Washington Post*, Aug 10, 1935, p. 4.

²² Otto H. Kahn quoted in "Kahn Sees Menace in Inheritance Taxation," *New York Times*, February 29, 1924, 30.

²³ "Confiscation of Wealth," *Chicago Daily Tribune*, January 17, 1932, 10.

²⁴ Jane G. Gravelle and Steven Maguire, "Estate and Gift Taxes: Economic Issues," ed. Congressional Research Service (2007), 2.

taxation on savings behavior remains unclear and quite possibly benign.²⁵

Unfair

In addition to such macroeconomic arguments against the estate tax, critics have also offered a variety of microeconomic complaints as well. The estate tax wreaks havoc with individual businesses, they maintain, forcing heirs to liquidate productive assets and sometimes even entire businesses. In recent years, such arguments have stressed in particular the burden of estate taxes on small businesses and family farms.

- “[S]mall-business and farm owners risk losing everything to pay their death tax bill.”²⁶
- “The estate tax falls hardest on those who maintain a family business or farm. When the cost exceeds cash assets, the estate tax can force family business owners and farmers to sell in order to pay the tax.”²⁷
- “The need to pay an estate tax bill can result in heirs liquidating or selling family businesses because such businesses are often asset rich but cash poor.”²⁸

Like assertions about slow growth and depleted capital, these claims, too, have a long history. Estate tax foes have *always* insisted that the tax posed a threat to business solvency.

- “When a man dies his property does not often consist of cash or readily marketable securities,” Mellon argued in 1924. “The estate taxes must be met in cash and not in kind. His executors must proceed to realize this cash through sale of the decedent’s property.”²⁹
- “To a certain degree inheritance taxation, in its very nature, has the economic ill effect of impairing or sometimes even destroying that which a lifetime of individual effort and planning has created,” contended banker Otto Kahn.³⁰
- “[H]igh inheritance and estate taxes do compel the sale of assets, with consequent changes in ownership, shifts in management and generally dislocating effects,” the *Washington Post* editorialized in 1935.³¹

²⁵ Gale, William G. and Perozek, Maria G., Do Estate Taxes Reduce Saving?. Rethinking Estate and Gift Taxation. Available at SSRN: <http://ssrn.com/abstract=251722> or doi:10.2139/ssrn.251722

²⁶ Newt Gingrich, “Time to Kill the Death Tax?” *Investor's Business Daily*, March 20, 2002, available at <http://www.aei.org/article/13723>

²⁷ American Family Business Institute, “Kill the Death Tax.”

²⁸ Chris Edwards, Repealing the Federal Estate Tax,” *Cato Institute Tax and Budget Bulletin*, June 2006, 2, available at <http://www.cato.org/pubs/tbb/tbb-0606-36.pdf>

²⁹ Mellon, *Taxation: The People's Business*, 116-117.

³⁰ Otto H. Kahn quoted in “Kahn Sees Menace in Inheritance Taxation,” *New York Times*, February 29, 1924, 30.

³¹ “The Tax on Enterprise,” *Washington Post*, August 9, 1935, 8.

Such claims about the burden of estate taxation on small businesses and family farms are highly exaggerated. The Congressional Research Service has noted that some family businesses are, in fact, burdened by the tax, but only a very small slice of total estate tax revenues come from such businesses. Modest increases in the exemption level can effectively remove *all* small businesses from the tax's grasp. And the calamitous impact of estate levies on family farms has been famously hard to demonstrate. In 2005, the Congressional Budget Office concluded that even before Congress began ratcheting up exemptions, few family farms were subject to the tax and even fewer were hard pressed to pay it. "The vast majority of estates, including those of farmers and small-business owners, had enough liquid assets to pay the estate taxes they owed," the CBO concluded.³²

Moreover, the estate tax bolsters fairness by ensuring that all income is taxed at least once. Under the income tax, capital gains income is only taxed when it is actually realized through an asset sale. If a person holds onto an asset for her entire life and dies with it still in her estate, then any increase in the value of that asset is untaxed: heirs receive the asset at its current value and are only taxed on the additional value accruing between the moment of their inheritance and the moment they choose to sell the asset (if, in fact they choose to sell it at all). In this fashion, many large fortunes pass from one generation to another without any tax applied to their ever-escalating value. The estate tax was designed, in part, to help solve this problem by taxing the increased value of these assets at the time of death. Far from being an instrument of double taxation, the estate tax is simply a tool to ensure *single* taxation.

Un-American

Finally, estate tax critics have long maintained that taxing inheritance was antithetical to deeply held American values. The tax, they have asserted, is fundamentally inconsistent with the distinctively American traditions of thrift, hard work, and family obligation. As critics have argued in recent years:

- "Passing on to successive generations greater health, wealth and wisdom is what society in general, and America specifically, is all about.... Today in America you can take your after-tax income and go to Las Vegas and carouse, gamble, drink and smoke, and as far as our government is concerned that's just fine. But if you take that same after-tax income and leave it to your children and grandchildren, the government will tax that after-tax income one additional time at rates up to 55%."³³

³² Gravelle and Maguire, "Estate and Gift Taxes: Economic Issues," viii.

³³ Arthur B. Laffer, "Spend It in Vegas or Die Paying Taxes," Wall Street Journal, April 2, 2009, available at <http://online.wsj.com/article/SB123863067877680693.html>

- “The Death Tax needs to be permanently abolished because it punishes the American values of saving and investment by penalizing individuals for passing property along to their family.”³⁴
- “The American dream is that you can start from nothing in this country and you can build something and you can give the fruits of your labor to your children. That is the American dream. That is what people come here and work for 7 days a week in restaurants, to try to build something to give to their children. Who are we to take that away? That is the American dream.”³⁵

Historical critics would certainly have recognized these arguments, for they trotted them out regularly in decades past.

- “One of the foundations of our American civilization is equality of opportunity, which presupposes the right of each man to enjoy the fruits of his labor after contributing his fair share to the support of the Government, which protects him and his property,” insisted Andrew Mellon. “But that is a very different matter from confiscating a part of his wealth, not because the country requires it for the prosecution of a war or some other purpose, but because he seems to have more money than he needs.”³⁶
- “In defense of the Federal estate tax it is said that it will tend to check the growth of large fortunes. But is not such a Federal death tax a penalty on industry, thrift, and business success?” asked the *Washington Post* in 1926. “The estate tax is communistic in essence; and no party except the Socialist party endorses the Federal estate tax.”³⁷
- “I do not believe that the Government should seek social legislation in the guise of taxation,” declared President Calvin Coolidge. “If we are to adopt socialism, it should be presented to the people of this country as socialism, and not under the guise of a law to collect revenue.”³⁸
- “Estate taxes, carried to an excess, in no way differ from the methods of the revolutionists in Russia.”³⁹

But if the estate tax is un-American, then *all* progressive taxes must be un-American. Taxing estates is simply a means to allocate burdens fairly across wealth and income strata. American political leaders have long recognized the importance of taxing people according to their ability, and since the days of the Early Republic, they have repeatedly

³⁴ FreedomWorks, *The Death Tax: A Tax We Can All Live Without: Talking points on the Death Tax*, May 1, 2002, available at <http://www.freedomworks.org/publications/the-death-tax-a-tax-we-can-all-live-without>

³⁵ Sen. Kay Bailey Hutchinson, R-Texas, *Congressional Record*, December 2, 2010, S8389.

³⁶ Mellon, *Taxation: The People's Business*, 71-72.

³⁷ “The Federal Estate Tax,” *Washington Post*, February 7, 1926, ES1.

³⁸ “Economists Clash on Inheritance Tax,” *Washington Post*, February 20, 1925, 1.

³⁹ Mellon, *Taxation: The People's Business*, 122.

tried to devise progressive revenue tools. Indeed, the modern tax system is *founded* on notions of progressivity and distributional justice.⁴⁰

Estate taxes are fully consistent with that history of progressive taxation. “The estate tax is the most progressive federal tax,” observes the nonpartisan Tax Policy Center. “In 2009, more than 76 percent of estate taxpayers come from the top 5 percent of the income distribution, and they pay 93 percent of estate tax revenue.”⁴¹ Over the decades, American political leaders have valued the estate tax for exactly that reason. And given the prominence of regressive taxes in the overall tax system – including the Social Security payroll tax – such levies are a vital counterweight.

Conclusion

The estate tax has been a vital element of the tax system for almost a century. And for good reason. On the most practical level, it raises much-needed revenue. It has never been a big money raiser, only rarely contributing more than 3 percent of total revenue.⁴² But in a tight fiscal climate like the one facing the United States today, its contribution isn’t trivial either. The Center on Budget and Policy Priorities has estimated that permanent repeal in 2010 would have cost almost \$1.3 trillion over the first ten years.⁴³ Even the major reductions adopted in December 2010 will prove dangerously expensive if they last beyond the initial two-year window (provisions adopted in the 2010 budget deal are slated to expire at the end of 2012).

More generally, the estate tax has functioned for decades as a vital and successful element of the tax system, notwithstanding the warnings issued by its opponents. It has bolstered fairness by ensuring that *all* capital gains income is taxed once by the federal government. And it has imparted progressive balance to a tax system that often allocates tax burdens in regressive fashion (as with the payroll tax and various consumption taxes).

Rather than reaching back through history for well-worn arguments against the estate policymakers should take a page from one of the tax’s more prominent early supporters: economist Edwin R. A. Seligman. A longtime confidant and sometime apologist for

⁴⁰ For a useful historical summary of efforts to tax the rich, see W. Elliot Brownlee,, “Historical Perspective on U.S. Tax Policy Toward the Rich,” in *Does Atlas Shrug?*, edited by J. B. Slemrod. New York and Cambridge: Russell Sage Foundation and Harvard University Press, 2000, 29-73. See also Joseph J. Thorndike, “Soaking the Wealthy: An American Tradition,” *Wall Street Journal*, January 29, 2011.

⁴¹ Tax Policy Center, “Tax Topics: Estate and Gift Taxes,” Tax Policy Center, <http://www.taxpolicycenter.org/taxtopics/estatetax.cfm>.

⁴² Darien B. Jacobson, Brian G. Raub, and Barry W. Johnson , “The Estate Tax: Ninety Years and Counting,” *Statistics of Income*, Summer 2007, 125.

⁴³ Center on Budget and Policy Priorities, “The Estate Tax: Myths and Realities,” Center on Budget and Policy Priorities, <http://www.cbpp.org/cms/index.cfm?fa=view&id=2655>.

wealthy Americans, Seligman nonetheless endorsed taxes on inherited wealth. “This whole outcry against an estate tax because of the destruction of capital ideas seems to me to be bordering on the absurd,” Seligman wrote in 1926. “The estate tax is the result of one of the modern democratic movements of the world. When you have a democracy you have an income tax and an estate tax.”⁴⁴

⁴⁴ Roy G. Blakey, "The Revenue Act of 1926," *American Economic Review* 16, no. 3 (1926): 415.

APPENDIX A: ADDITIONAL SOURCES

Contemporary Advocacy Groups

- Center on Budget and Policy Priorities:
<http://www.cbpp.org/research/index.cfm?fa=topic&id=63>
- Center for Tax Justice: http://www.ctj.org/fed_pub_news/estate_tax.php
- Tax Policy Center: <http://www.taxpolicycenter.org/taxtopics/estatetax.cfm>
- United for a Fair Economy: <http://www.faireconomy.org/>

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- Center on Budget and Policy Priorities. "The Estate Tax: Myths and Realities." Center on Budget and Policy Priorities,
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