

Kentucky Economic Justice Alliance

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PRESS ADVISORY

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Alliance Opposes the Repeal of the Estate Tax

The Kentucky Economic Justice Alliance (KEJA) will hold a press conference to oppose the federal repeal of the federal estate tax and call for Kentucky lawmakers to prevent further weakening of the state's revenue base by "decoupling" Kentucky's estate tax from federal law. The event will take place on Thursday, June 1st at 2 pm at Brooklawn Child and Family Services in Louisville.

Among the speakers will be Peter Meyer, a professor emeritus of Urban Policy and Economics at the University of Louisville. He is among narrow slice of Americans who would benefit from elimination of the estate tax, yet he supports the tax and opposes its repeal. He will share his reasons for working to preserve the law.

Also on Thursday, Rep. Jim Wayne will call for state legislation to decouple Kentucky's estate tax from the federal law. In the 2006 legislative session he sponsored HB 506, a comprehensive bill which included a provision to preserve the state's portion of the estate tax regardless of changes in federal policy.

"Repealing the estate tax is irresponsible government," said Janet Tucker, chairperson of Kentuckians For The Commonwealth. "Kentucky has insufficient funds to cover vital programs such as education and health care. And the estate tax is progressive, meaning that it asks the most of those who can best afford to pay, to the benefit of society as a whole."

In early June the US Senate is scheduled to consider the permanent repeal of the estate tax in early June. Such legislation has already passed the US House. Senators will consider several proposals to eliminate or drastically reduce the federal estate tax.

If those measures pass, Kentucky's budget will be placed in double jeopardy: Eliminating the estate tax will cost the federal government \$1 trillion over the next ten years, reducing funding available for programs that benefit Kentuckians. Additionally, Kentucky stands to lose state revenue because its estate tax is coupled to the federal tax code.

"It makes no sense to allow the further erosion of Kentucky's tax base," said Debra Miller, director of public policy with Kentucky Youth Advocates. "In the face of under-funded schools and cuts in children's health programs, Kentucky's leaders should stop this bleeding of state revenues."

"This is a moral issue," noted Kentuckians For The Commonwealth member K.A. Owens. "What values are we living by if we shred programs that serve children and the elderly in order to further enrich the wealthiest American families?"

Earlier revisions to the federal estate tax have already contributed to Kentucky's budget woes. Kentucky was projected to lose \$53 million in revenue in 2005 and \$168 million by 2007 due to the phase out of the estate tax enacted by Congress in 2001 (Center on Budget and Policy Priorities, May 2005). Federal legislation for a permanent repeal of the tax would accelerate those losses.

The estate tax affects only a tiny group of wealthy individuals in Kentucky. According to a 2005 report released by US Action, only 352 Kentuckians paid the tax in 2003. The report also calculated that more than 50,000 Kentuckians could lose benefits – including Medicaid, energy assistance, rental vouchers and Head Start – if the federal tax is repealed.

State legislation has been proposed in each year since 2004 to protect Kentucky against loss of revenue due to changes made in the federal estate tax. To date the General Assembly has taken no action. Sponsors of the bills include Rep. Kathy Stein, Rep. Mary Lou Marzian and Rep. Jim Wayne.

"Decoupling state law from the federal estate tax is an important way to save revenue and protect services. The tax affects only a few Kentuckians while benefiting so many who are impacted by the current crisis in health care and education," said Dr. Ann Colbert, a member of KFTC's Economic Justice Committee and physician in Rowan County.

The Kentucky Economic Justice Alliance (KEJA) is a partnership of Kentucky Youth Advocates, Kentuckians For The Commonwealth, and Appalshop. The alliance is a grassroots effort to promote progressive social and economic change in Kentucky. Working together, KEJA partners achieve our goals by fostering civic participation and leadership development, conducting research and policy analysis, and communicating new ideas.