

Kentucky Economic Justice Alliance

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Kentucky Will Lose Big if Estate Tax is Repealed

Kentuckians already facing a serious budget crisis could see a further erosion of the state's tax base if Congress takes action to repeal the estate tax.

"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. We have a \$675 million shortfall in Medicaid. 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."

When The U.S. Congress reconvenes in September, 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. Kentucky cannot afford to allow choices made in Washington to further erode state revenues.

Eliminating the estate tax will cost the federal government \$1 trillion over the next ten years and reduce 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.

Earlier revisions to the federal estate tax have cost Kentucky dearly. The state will lose \$53 million in revenue this year 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 repeal of the tax, already passed by the House, would accelerate those losses.

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could lose benefits – including Medicaid, energy assistance, rental vouchers and Head Start – if the federal tax is repealed.

The Kentucky Economic Justice Alliance (KEJA) opposes repeal of the estate tax and calls for Kentucky lawmakers to prevent further weakening of the state's revenue base. KEJA wants state legislators to "decouple" Kentucky's estate tax from the federal tax code.

Legislation was proposed in 2004 would have protected Kentucky against loss of revenue due to changes made in the federal estate tax. The General Assembly did not act on HB 316 which was sponsored by Rep. Kathy Stein and Rep. Mary Lou Marzian.

“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.

“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.”

A report on the impact of federal estate tax legislation on Kentuckians was released today by US Action Education Fund. The report can be found at www.usaction.org and is attached with this press release.

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.