

How the Federal Estate Tax Affects Wyoming

Republican Senate leaders are pushing to enact permanent repeal of the federal estate tax, a move that would cost nearly \$1 trillion over the first full decade. Meanwhile, other Senators are seeking a “compromise” that would cost nearly as much as full repeal. But new data from the Internal Revenue Service show that more than ever, the estate tax is virtually irrelevant for most Wyomingites—raising the question of why Congress is so intent on repealing a tax that affects so few estates.

Few Wyoming Estates Were Taxable in 2004

In 2003, 4,172 Wyomingites died. Newly released IRS data show that in 2004 (when estate tax returns for 2003 deaths were generally due), only 62 Wyomingites owed any estate tax— just 1.5 percent of all Wyoming estates. The IRS data also show that (due to tax cuts enacted since 1997) the number of Wyomingites paying the estate tax has declined dramatically: in 2000, 40 Wyomingites owed estate tax. This is a larger, but still quite low 2.5 percent of all deaths in that year.

Who Pays the Estate Tax in Wyoming: 1998-2004

# of Estates Owing Tax				% of Estates Owing Tax			
1998	2000	2002	2004	1998	2000	2002	2004
40	103	58	62	1.1%	2.5%	1.4%	1.5%

Recent Estate Tax Cuts Exempt Even More Wyomingites

The new IRS data shows the impact of the \$3 million (for married couples) estate tax exemption that was in place for 2004. But in 2006, the federal estate tax exemption has increased to \$4 million—a change which leaves just 0.5 percent of all estates taxable nationwide. This suggests that the number of Wyomingites owing estate tax will be even lower in 2006 than in the 2004 IRS data.

This trend is especially disturbing in the wake of revelations that the distribution of wealth in the United States has become even more unequal in recent years. A recent Federal Reserve Bank report shows that the richest 1 percent of Americans now own more than 33 percent of the wealth nationwide—more than the poorest 90 percent of Americans put together.

The federal estate tax was enacted in 1916 to prevent an unhealthy concentration of economic and political power in the hands of a super-wealthy elite. Repealing the tax—or paring it back through “compromise” legislation—would remove this important backstop and open the floodgates to a new wave of wealth inequality.