EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 14, 2015
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H. R. 1105 – Estate Tax Repeal
(Rep. Brady, R-Texas, and 135 cosponsors)

The Administration strongly opposes H.R. 1105, which would add hundreds of billions of dollars to the deficit to provide large tax cuts exclusively to the very wealthiest Americans.

Repealing the estate tax exclusively benefits just the wealthiest one or two estates out of every thousand—which would receive a tax cut averaging more than $3 million each—because current law already exempts more than $5 million of wealth for individuals and more than $10 million of wealth for couples from the tax. Given these large exemptions, well over 99 percent of Americans, including virtually all small businesses and family farms, do not pay any estate tax. H.R. 1105 would also shift a greater share of the tax burden onto working Americans at a time when the top one percent already holds more than 40 percent of the Nation's wealth and wealth disparities have risen to levels not seen since the 1930s.

H.R. 1105 is fiscally irresponsible and, if enacted, would add $269 billion to the deficit over ten years, according to the Joint Committee on Taxation. The bill would worsen the Nation's long-term fiscal challenges, jeopardizing programs and investments important to the middle class and national security. In addition, H.R. 1105, which was reported by the House Ways and Means Committee on March 25, is inconsistent with the budget resolution passed by the House of Representatives that same day, which depends on current law estate tax revenues to meet its purported fiscal goals.

H.R. 1105 is even more extreme than the temporary estate tax repeal enacted in 2001. That legislation provided for a "carryover basis" regime to prevent large amounts of accumulated wealth from escaping both income and estate tax. H.R. 1105 contains no such provision. Instead, it leaves in place the largest capital gains loophole in the tax code by retaining "stepped-up basis" rules that exempt capital gains on assets held until death from income taxes. The wealthiest Americans can often afford to hold onto assets until death, which lets them use the stepped-up basis loophole to avoid ever having to pay income tax on capital gains. By retaining stepped-up basis even after repealing the estate tax, enactment of H.R. 1105 would not only add hundreds of billions of dollars to the deficit to provide huge tax cuts to the most fortunate, it would endorse the principle that the wealthiest Americans should not have to pay tax on certain forms of income at all. By contrast, the President's Budget would repeal the stepped-up basis loophole.

The Administration has consistently supported tax relief for middle-class and working families. The President's FY 2016 Budget proposes tax credits that allow paychecks to go further in covering the cost of child care, college, and a secure retirement, and would create and expand tax credits that support and reward work. In addition, it would invest in accelerating and sharing economic growth through education, research, infrastructure, and help for working families. The President's proposals are fully paid for, primarily by closing tax loopholes for the highest-income

Americans. The Administration wants to work with the Congress on fiscally responsible tax relief for middle-class and working Americans. However, H.R. 1105 represents the wrong approach to the Nation's fiscal and economic challenges. <u>If the President were presented with H.R. 1105, his senior advisors would recommend that he veto the bill</u>.

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