



## **THE IMMORTAL ESTATE TAX?**

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To quote Benjamin Franklin, “nothing is certain but death and taxes”.

Once again Congress is contemplating the death of the estate tax. But before we plan on finally dancing on its grave, we should be aware of its remarkable longevity over the course of human history.

We often think of estate taxes (i.e. death taxes) as a modern invention, but according to Gary Robbins, a former Visiting Fellow at the Heritage Foundation, governments have used them to provide revenue for almost three thousand years. The Egyptians appear to have imposed a 10% tax on the transfer of property at death as early as 700 B.C. and the Holy Roman Emperor, Augustus Caesar, also imposed a tax on inheritances in the first century A.D. (and even allowed exemptions for close relatives and for donating property).

In the Middle Ages, the king in feudal England owned all real property but would grant its use to designated individuals during their lifetime. When they died, the estate would be allowed to retain use of the property upon payment of an estate tax.

In the United States, death taxes began in the 18<sup>th</sup> century as a means for funding wars. The Stamp Act of 1797 used the revenues from requiring a federal stamp on wills in probate to help pay the debt incurred from the undeclared naval war with France three years earlier. The Act was repealed in 1802. Sixty years later, the Tax Act of 1862 imposed an inheritance tax to help finance the Civil War. It was repealed in 1870.

The modern-day income tax was introduced with the Revenue Act of 1916 which also included an estate tax. To help fund the cost of World War I, the estate tax was increased in 1917 and, this time, the tax was not repealed after the war ended. Since then, the estate tax rate and exemptions from it have fluctuated; and, in addition, related gift taxes have been introduced. Today, with the estate tax exemption at roughly \$5.5 million in assets, the tax affects only about 5,500 estates annually, according to the Urban-Brookings Tax Policy Center.

Does the estate tax have a future? A repeal could have significant unintended consequences.

For example, many US universities and charities have benefited immensely from partially tax-motivated generosity because some very wealthy benefactors would rather have a large portion of their assets go to a cause of their choosing rather than to the Federal government. Would these benefactors be just as generous without an estate tax?



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Stay tuned. In the legislative process, there is much wisdom in the refrain “It ain’t over until it’s over.”

If you have questions about this or any other business or tax issue, contact your Account Manager or [Alicia Brockland, CPA, ABV](mailto:abrock@connerash.com), at (314) 205-2510 or via email at [abrock@connerash.com](mailto:abrock@connerash.com).