

## **UNDERCUTTING THE AMERICAN DREAM: ESTATE TAX REPEAL WOULD HARM LATINOS\***

The estate tax is fair, adversely impacts few families, helps to minimize wealth disparities and intergenerational wealth transfers, and assists the government in meeting public needs for goods and services. Repeal of the estate tax would have far-reaching implications for the nation's Latinos, the fastest-growing demographic and a growing share of the nation's taxpayers. As such, Latinos have a major stake in tax policy debates.

### **HIGHLIGHTS**

- **The estate tax prevents wealth concentration and provides resources to support public services: two vital Latino priorities.** In 2002, the average Latino household maintained nine cents for every dollar in wealth that a non-Hispanic White household possessed. In addition, the tax revenue from the estate tax is projected to amount to more than \$17 billion in 2006, while the estimated budget deficit is \$336 billion.
- **A small number of Latinos are directly impacted by the estate tax.** Because of low wealth and income levels for Latinos as well as provisions such as the spousal exemption, many Latinos are shielded from estate tax liability.
- **Full repeal of the estate tax would undermine the economic prospects of the broader Latino community.** Specifically, full repeal would do the following:
  - **Reduce federal revenues at a time when more resources and investments are needed.** The Joint Committee on Taxation estimates that repeal would cost \$252 billion from 2012 through 2015.<sup>1</sup> Less federal revenue means less money for key Latino priorities, such as education, health care, and asset development programs.
  - **Diminish charitable giving.** Full repeal would reduce charitable giving by more than \$15 billion per year.<sup>2</sup> This would mean a loss of resources equivalent to the total grants that the largest 110 foundations in the U.S. currently make annually. Many Latino-serving nonprofit organizations depend on these resources.
  - **Expand the race-ethnic wealth gap.** Permanent repeal would aggravate racial wealth inequalities by exacerbating the wealth gap that already exists between White, Latino, and Black households.
  - **Make the federal tax system increasingly unfair.** A repeal would upset the progressivity of the tax system, placing a heavier tax burden on income from earnings rather than from wealth, adversely affecting workers with little wealth.

The repeal of the estate tax will hurt the budget and exacerbate the wealth gap, increasing Latino financial insecurity. Congress should not repeal the tax.

\* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau to identify persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, and Spanish descent; they may be of any race.

1 Friedman, Joel and Ruth Carlitz, *ESTATE TAX REFORM COULD RAISE MUCH-NEEDED REVENUE: Some Reform Options With Low Tax Rates Raise Very Little Revenue*. Washington, DC: Center on Budget and Policy Priorities, March 2005. Available at <http://www.cbpp.org/3-16-05tax.htm>

2 Burman, Leonard E., William G. Gale, and Jeffrey Rohaly, "Options for Reforming the Estate Tax," *Tax Notes*, April 18, 2005, p. 379.

