Senator Fonfara, Representative Rojas and Distinguished Members of the Committee,

We thank you for the opportunity to submit this testimony in opposition to Proposed H.B. No. 6031 on behalf of Connecticut Voices for Children, a research-based child advocacy organization working to ensure that all Connecticut children have an equitable opportunity to achieve their full potential. This bill would phase out the estate tax over a five-year period starting January 1, 2019.

Connecticut currently imposes an estate tax on the amount that an estate exceeds $3.6 million, at rates ranging from 7.8-12 percent. The $3.6 million exemption is currently scheduled to increase every year until 2023 when it reaches the federal exemption of $11.2 million. At that time, the rate will be a flat 12 percent on the amount of the estate exceeding $11.2 million, with a total cap on estate taxes due of $15 million.

The estate tax raises substantial revenue for the state of Connecticut. Over the past three years the estate tax has raised an average of $221 million/year. Even with the exemption scheduled to increase next year, the tax is projected to raise $155.8 million. To put these numbers in context, $155.8 million is more than the Governor’s budget proposes for the Care 4 Kids child care subsidy program ($144 million) or the Connecticut State University System ($145 million).

The estate tax is highly progressive. The Department of Revenue Services estimated that the gift and estate taxes fell on less than one percent of CT households in 2011 when the exemption was $2.6 million. The number of estates subject to the estate tax is likely to shrink as the exemption level continues to rise.

The estate tax is levied, in large part, on asset appreciation that would otherwise go completely untaxed. Appreciated assets in an estate receive a stepped-up basis equal to the assets’ value at the time of death. The estate tax captures revenue that would otherwise be imposed through the capital gains tax on the transfer of these appreciated assets. Without an estate or inheritance tax that captures these capital gains, they wholly escape taxation and a very small number of wealthy families would be able to continue passing along large concentrations of wealth from generation to generation, free from state taxation.
Unrealized capital gains account for a significant proportion of the assets held by large estates, ranging from 25-32 percent of the value of estates worth between $3.5-$10 million and as much as 55 percent of the value of estates worth more than $100 million.

The estate tax addresses income inequality and the even more extreme wealth inequality. Inequality in Connecticut has reached record highs. Connecticut is the third most extreme state in terms of income inequality, with 1 percent of families taking home 27.3 percent of all income.

Wealth, or net worth, is the sum total of one’s assets minus liabilities. According to Inequality.org, a project of the Institute for Policy Studies, in 2018, the three wealthiest Americans held combined fortunes worth more than the total wealth of the poorest half of Americans. And low levels of wealth are much more prevalent among Black and Latino households than among white households:

![Racial Wealth Inequality Is Rampant In The U.S.](image)

Eliminating the estate tax would help to perpetuate these racial and ethnic disparities by allowing unlimited untaxed inter-generational transfers of wealth.

During the Gilded Age of the late 19th early 20th centuries when wealth disparities were at an earlier peak, President Theodore Roosevelt became a vocal supporter of progressive taxation:

*We grudge no man a fortune in civil life if it is honorably obtained and well used. It is not even enough that it should have been gained without doing damage to the community. We should permit it to be gained only so long as the gaining represents benefit to the community … The really big fortune, the swollen fortune, by the mere fact of its size, acquires qualities which differentiate it in kind as well as in degree from what is possessed by men of relatively small means. Therefore, I believe in a graduated income tax on big fortunes, and … a graduated inheritance tax on big fortunes, properly safeguarded against evasion, and increasing rapidly in amount with the size of the estate.*
The equalizing trends that followed progressive tax reform have now been largely undone and “the wealthiest Americans now hold as large a wealth share as they did in the 1920s.” (Inequality.org)

**Almost every other state in the Northeast has an estate or inheritance tax**, including New York, New Jersey, Pennsylvania, Rhode Island, Massachusetts, Vermont, Maine, and the District of Columbia. By 2023, when Connecticut’s estate tax exemption is scheduled to match the federal exemption of $11.2 million, most of these states will have exemption levels that are significantly lower than the exemption level in Connecticut.

Connecticut should not mortgage the future of its children, further increase income and wealth inequality, and break ranks with almost every one of its peer states in order to provide a tax break for the wealthiest one percent of Connecticut residents. **Connecticut Voices for Children strongly opposes H.B. No. 6031.** Thank you for the opportunity to present this testimony. Please contact Jamie Mills with any questions you may have at jmills@ctvoices.org or (203)498-4240 x 104.