CONNECTICUT VOICES FOR CHILDREN

Connecticut's Estate Tax Brings Needed Revenues and Enhances Fairness

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What is Connecticut's estate tax?

Connecticut levies a tax on the value of estates that exceed $3.6 million; the exemption will increase each year until it reaches the federal $11.2 million exemption in 2023. Current rates range from 7.8 percent to 12 percent and will be a flat 12 percent when the exemption reaches $11.2 million. The total tax that any estate can be required to pay is capped at $15 million.

How much revenue does the estate tax raise?

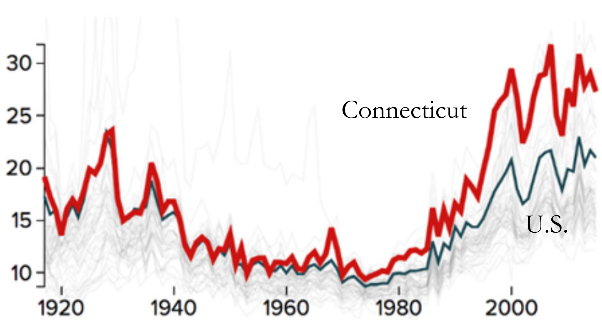
In Fiscal Year 2018, the estate tax raised **$223.8 million**. This is equivalent to more than 80 percent of Governor Lamont's entire proposed allocation for Early Care and Education, including Care 4 Kids.

Who pays the estate tax?

The gift and estate taxes are highly progressive, falling on fewer than one-half of one percent of Connecticut households.

Why is this important?

The progressivity of the estate tax mitigates the overall regressive impact of Connecticut's tax system. In Connecticut, the top one percent pay a smaller share of their income in state and local taxes than any other income group, and the top 20 percent pay a lower portion than the middle and second highest quintiles. **Connecticut is the state with the third most extreme income inequality in the country**.



Share of income captured by the top 1%, 1917-2015

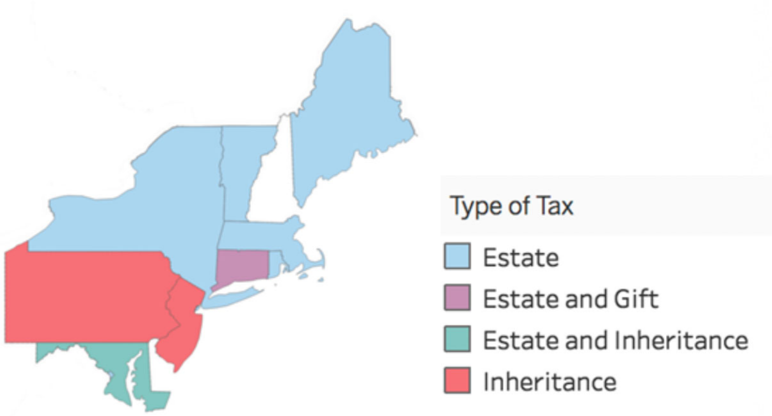
The estate tax addresses today's extreme wealth inequality

In 2018, the three wealthiest Americans held combined fortunes worth more than the total wealth of the poorest half of Americans. Low levels of wealth are much more prevalent among Black and Latino households than among white households.

Setting the record straight about the estate tax

1. Without an estate tax, large amounts of wealth would be transferred tax free from generation to generation, perpetuating inequality in our state. The estate tax is not unfair double taxation. The appreciation of assets is not subject to income tax or capital gains tax if the owner holds on to the asset until death. At that time, the assets are transferred to the heirs at their enhanced value (stepped-up basis). Nationally, unrealized—and otherwise untaxed—capital gains account for 32 percent of estates worth between $5 million and $10 million and 55 percent of the value of estates worth more than $100 million.

2. Almost every Northeast state has an estate or inheritance tax. Only Connecticut has a cap.



State	Rate	Exemption	Cap
NY	3.6%-16.0%	$5.49M	None
NJ	11%-16%		None
CT	7.8%-12%	$3.6M	$15M
D.C.	6.4%-16%	$5.6M	None
RI	0.8%-16%	$1.537M	None
MA	0.8%-16%	$1M	None
VT	16%	$2.75M	None
ME	8%-12%	$5.6M	None
PA	4.5%-15%	None	None
MD	0.8%-16%	$5M	None

3. There are no credible data to show that the estate tax significantly affects outmigration. Even when there is a small increase in migration, keeping the estate tax still results in net positive revenues.

4. Fewer than one percent of estates in the U.S. that paid the estate tax in 2013 owned small businesses and family farms. In that year, while 2,596,993 people died in the U.S., fewer than 4,000 estates paid the federal estate tax, and only 20 of these estates owned small businesses or family farms. Small businesses are even more unlikely to pay the estate tax under the increased exemption of $11 million. The Tax Policy Center estimates that only 1,700 estates nationwide would pay the estate tax under the increased exemption.

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