Senator Feinstein Opposes Full Repeal of the Estate Tax

- Says efforts to fully repeal the estate tax present a short-sighted, irresponsible fiscal policy -

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***Washington, DC** – U.S. Senator Dianne Feinstein (D-Calif.) today opposed legislation that would fully repeal the estate tax. At a time of war and with education programs, job training assistance, food stamps, and law enforcement programs are facing huge budget cuts, Senator Feinstein said eliminating nearly $1 trillion in federal revenues would further deteriorate our nation's fiscal health.*

"Federal revenues are already insufficient to fund our nation's most critical domestic priorities. Now is not the time to place the interests of a small number of millionaires ahead of millions of working families," *Senator Feinstein said.* ***"Let me be clear – I am no fan of the estate tax. But with the threatening fiscal demands of baby-boomers and the pending insolvency of Medicare in less than two decades, repealing the estate tax today would be inconceivably shortsighted."***

Following is the statement Senator Feinstein entered into the Congressional Record:

"Mr. President, I rise to oppose this bill. With an $8.4 trillion national debt, a budget deficit that will exceed $300 billion this year, a looming entitlement crisis, and a mounting Alternative Minimum Tax problem, full repeal of the estate tax at this time is simply not responsible.

We have until 2010 to make decisions about the estate tax. In doing so, time will afford us the opportunity to make more informed choices, with a more complete picture of our nation's fiscal health. We are talking about eliminating nearly $1 trillion in federal revenues here, during a time of war. Now is not the time to place the interests of a small number of millionaires ahead of millions of working families.

The estate tax is already being gradually phased down under current law. By 2009, only estates valued at more than $7 million per couple ($3.5 million per individual) will owe any estate tax at all. This means that only 3 of every 1,000 people who die would have an estate large enough to owe *any* federal estate taxes.

Permanently eliminating the estate tax would cost $402 billion over the next 10 years (2007 – 2016). Though, it is important to note that this figure only captures the cost of five years of full repeal, from 2011 to 2016. When all costs are included, nearly a trillion dollars will be lost in the first decade following repeal, from 2012 to 2021. Included in this staggering figure is $213 billion in increased interest payments on the national debt.

Federal revenues are already insufficient to fund our nation's most critical domestic priorities. I wish things were different, allowing a vote in support of reforming the estate tax to be cast today in good conscience.

Let me be clear. I am no fan of the estate tax. I understand how hard families work to provide opportunities and a better future for their children. Transferring assets from generation to generation motivates families to work even harder. It is unfair to place unreasonable burdens on small businesses and families seeking to provide for future generations.

I am deeply concerned about California's families who own farms and small businesses. Like many of my colleagues, I worry that they may be forced to sell a primary residence just to pay the estate tax. Our laws should not create even more hardship at a time when someone has lost a loved one.

Yet, as we consider estate tax repeal today, our nation's fiscal outlook and the potential impact of this Administration's policies are uncertain. This President has broken with his predecessors by submitting only 5-year budgets. Why, you might ask? Especially after we were presented with the traditional 10-year numbers during this President's first year in office. The answer is that these tax cuts explode the debt and deficit in the out years—the end of the 10-year window.

The President's tax cuts have already cost more than $1 trillion and those enacted will be more than $3 trillion over the next decade. And, Republicans just passed another round, with the lion's share once again going to the very wealthy—$50 billion to extend capital gains and dividends tax breaks over ten years. The federal budget deficit will be at least $300 billion this year. The national debt is soaring. And we are at war. Never before have such expansive tax cuts been enacted or continued during a time of war.

Over the next ten years, the debt is projected to reach nearly $12 trillion. In this year alone, our national debt is slated to increase by $654 billion. More startling is the fact that the national debt is currently more than 66 percent of our gross domestic product (GDP). The total debt equates to roughly $30,000 owed by every American citizen.

When you combine the cost of the tax cuts with spending for the war in Iraq—currently totaling $370 billion—the inevitable result is that the domestic programs that matter most are squeezed. For example, the President's FY 07 budget makes significant cuts to programs like:

- Food stamps, cut by $272 million;
- Food assistance for seniors and children, cut by $111 million;
- COPS, which put over 118,000 police on the streets nationwide, cut by more than $407 million (or 15,000 officers nationwide);

- First responders (within Department of Homeland Security), cut by $573 million or 25 percent;
- Firefighters (Firefighter Grant program, within Department of Homeland Security), cut by $355 million;

- Job Corps, an education and job training program for youth, cut by $55 million, resulting in 1,000 fewer at-risk youth being served;
- Mass Transit, cut by $100 million;
- Safe and Drug-Free Schools State Grants, cut by $346 million; and
- Education – The President's signature education program, No Child Left Behind – would be underfunded this year by more than $15 billion and $55.7 billion since it was enacted.

Let me explain:

Most of the money the federal government outlays in a given year is currently not controllable. It's spent on what are called entitlements -- Social Security, Medicare, Medicaid, Veterans benefits. If you are entitled to these benefits, you get them. And if you add interest on the debt—nearly $400 billion in 2006—that's about 60% of everything spent in a given year. So that leaves 40%. Half of which is the defense budget and half is everything else. There's a war going on, so it's very difficult to cut defense spending. So while a select few are benefiting from massive tax breaks, budget cuts must be made—to the programs many Americans rely upon—to prevent uncontainable deficits.

There is a fundamental shift taking place. Republicans have become the profligate spenders, while Democrats have become the deficit hawks.

Americans deserve more responsible leadership. Leadership is about planning for the future, and making the difficult decisions that ensure economic stability for our children and their grandchildren. With the threatening fiscal demands of baby-boomers retiring and the pending insolvency of Medicare in less than two decades, repealing the estate tax today would be inconceivably short-sighted.

I urge my colleagues to employ sensible leadership and understand the responsibilities we have to uphold. We have a responsibility to working families, veterans, senior citizens, children, and low-income communities.

No one will deny that this issue needs to be revisited in the coming years. We must adopt a balanced estate tax compromise, while holding the line on spending in order to restore a program of fiscal sanity. I look forward to working with my colleagues to protect small businesses and family farms, without unreasonably jeopardizing our nation's financial well-being and our ability to help those who need Congress most.

In the meantime, I urge my colleagues to do what they know is right: encourage a more responsible fiscal course, and stand in opposition to full repeal of the estate tax at this time. This is the wrong policy at the wrong time."