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Giving to the Rich, Taking from the Poor and Middle Tax Break Proposals Defy Balance, Ensure Greater Inequities

IOWA CITY, Iowa (Oct. 15, 2012) — Extending tax breaks for Iowans inheriting 40 multimillion-dollar estates is a bad idea, especially when combined with other proposals that would end tax improvements used by over 86,000 families just to get by.

“It’s not fair, it’s poor fiscal policy and it’s not good for the economy, either,” said David Osterberg, executive director of the Iowa Policy Project and co-director of the nonpartisan Iowa Fiscal Partnership (IFP). “This is one more example of how poor and middle-income families are expected to pay for totally unnecessary and unaffordable tax breaks for the extremely wealthy in America.”

The nonpartisan Center on Budget and Policy Priorities (CBPP) [today released a report](#) that estimates pending proposals to continue estate-tax breaks enacted in 2010 would benefit only the wealthiest 0.3 percent of estates, or about 7,000 nationwide.

At the same time, the proposals would let vital tax-credit improvements expire for 25 million working families including improvements in the Child Tax Credit (CTC), Earned Income Tax Credit (EITC) and the American Opportunity Tax Credit (AOTC). CBPP estimates the loss of those improvements would force over 1 million people, including 900,000 children, into poverty.

For Iowa, the estate-tax break would affect only one-tenth of 1 percent of all estates — only 40 estates — in 2013. Loss of the working-family tax-credit improvements on Dec. 31, meanwhile, would harm 86,321 families with 190,553 children.

“Iowans need to understand the stakes for families in the fiscal choices being considered in Washington,” said Charles Bruner, executive director of the Child & Family Policy Center and co-director of IFP. “This new analysis of two options shows this as clearly as any measure we’ve seen.”

And the estate-tax breaks are costly. The estate-tax break alone is projected to expand budget deficits by \$141 billion over 10 years, and would come on top of nine years of significant reductions that quadrupled the amount that heirs can receive tax-free.

“We cannot afford to give these huge breaks to estates for income that, for the most part, has never been taxed,” Osterberg said. “I don’t think a lot of people understand that about the fortunes that are subject to the estate tax. Plus, more than 99 percent of the people in this country will never be affected by that tax.”

The Iowa Fiscal Partnership is a joint public policy analysis initiative of two nonpartisan, nonprofit Iowa-based organizations, the Iowa Policy Project in Iowa City and the Child & Family Policy Center in Des Moines. Reports are at www.iowafiscal.org.

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The Iowa Policy Project
www.iowapolicyproject.org

Child & Family Policy Center
www.cfpciowa.org