



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 22, 2006
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5638 – Permanent Estate Tax Relief Act of 2006

(Rep. Thomas (R) California and 2 cosponsors)

The Administration strongly believes the death tax should be permanently repealed and supports passage of H.R. 5638 as a step in the right direction. The death tax is an unfair tax that imposes a significant burden on America's small businesses, its family farmers and ranchers, and the American economy in general. The Administration is disappointed that a minority of Senators blocked consideration of full repeal last month.

Eliminating the death tax is a matter of basic fairness. The death tax results in the double taxation of many family assets while hurting the source of most new jobs in this country -- America's small businesses. Permanent repeal of the death tax would relieve thousands of families with small businesses, farms, and ranches of its excessive and unfair costs and would mean that many more family businesses could thrive as a source of continuing job creation and economic growth. The death tax is much more than just a tax on the wealth of individuals at the time of death. Fundamentally, the death tax penalizes savings and risk-taking, reduces capital formation in the economy, and ultimately reduces living standards.

The Economic Growth and Tax Relief Reconciliation Act of 2001 completely phased out the death tax by 2010. Unfortunately, the provision of the 2001 Act that repeals the death tax expires at the end of 2010, creating significant uncertainty for family estate planning. The Administration recognizes that the uncertainty created by current law makes it extremely difficult for families to plan for the future, and the Administration appreciates the need for a permanent solution.

While short of full repeal, H.R. 5638 provides significant relief from the death tax. Accordingly, while the Administration continues to have some concerns, the Administration supports House passage of H.R. 5638 as a constructive step toward full repeal of the death tax.

The time to fix this problem is now, so American families can plan for their retirement and the transfer of family businesses, farms, and ranches with the knowledge that Congress has acted to address the uncertainty in the law. The Administration urges quick action to put the death tax on the road to extinction for as many people as possible now – with the ultimate goal of full and permanent repeal in the future.

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