

CENTER FOR TAX AND BUDGET ACCOUNTABILITY

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SB 1725 SAVES THE STATE \$1.5 BILLION BETWEEN FY 2003 AND FY 2007

Signed into law by Governor Blagojevich on June 20, 2003, P.A. 93-0030 decouples from the federal estate tax.

Part of President Bush's 2001 tax package repealed the federal estate tax. The federal repeal would have significantly reduced revenues in Illinois, because Illinois' Estate Tax is directly tied to the federal estate tax. In Illinois, the tax would have phased-out over five years, however decoupling from the federal repeal saved the state **\$1.5 billion** between FY2003 and FY2007. Seventeen states and the District of Columbia already decoupled from the federal repeal.

The Center for Tax and Budget Accountability served as technical advisor for the bill.

THE MYTHS AND THE FACTS OF THE ESTATE TAX

- **MYTH:** The Estate Tax is a "Death Tax."
FACT: 98% of Americans that die pass their estate to their heirs completely tax free. In Illinois, less than 1% of those that die this year will pay any estate tax.
- **MYTH:** Family farms are lost because of the Estate Tax.
FACT: (i) In April of 2001, the New York Times reported that the American Farm Bureau could not cite a single case where a family farm was lost due to the estate tax; (ii) In 1998, only 1.4% of all taxable estates in the country had farm-related assets that accounted for 50% or more of total estate value; and (iii) Due to the number and value of exemptions allowed, a couple in Illinois can have farm assets worth up to \$4.2 million and still not have to pay any estate taxes.
- **MYTH:** Family businesses close because of the Estate Tax.
FACT: Only 3 of every 10,000 people who die leave a taxable estate where a family business composes the majority of the estate. According to the Treasury Department, estates that included family businesses paid less than 1% of all estate taxes collected by the federal government. Couples that own a family business can exempt \$2.6 million in assets from taxation.

ILLINOIS ESTATE TAX FACTS

- In 1999, less than 2% of the estates in Illinois paid any State or Federal estate taxes. This was only 2,950 estates. The average value of these estates was over \$2 million.
- The estates that actually pay this tax are a select group – more than 50% of the total Illinois estate taxes paid came from just 158 estates, with an average value of nearly \$13 million.
- Because Illinois decoupled from federal repeal of the estate tax, the state will save an estimated **\$1.5 billion between FY 2003 and FY 2007.**

Fiscal Year	Amount
2003	\$89.1 million
2004	\$197.3 million
2005	\$312.3 million
2006	\$419.6 million
2007	\$465.8 million
TOTAL for FY03-07	\$1,484.1 million

Source: Center on Budget and Policy Priorities