

The Estate Tax of Our Youth

Author : Jeffrey Cooper

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Paul L. Caron, [The One-Hundredth Anniversary of the Federal Estate Tax: It's Time to Renew Our Vows](#), 57 **B.C. L. Rev.** 823 (2016).

In [The One-Hundredth Anniversary of the Federal Estate Tax: It's Time to Renew Our Vows](#), Paul L. Caron tracks how the modern estate tax has evolved since its 1916 inception and contends the tax should be modified to serve its original purposes. Caron analogizes the nation's relationship to the estate tax as that of an aging marriage, arguing that our passion for the tax has cooled with the passage of time. He urges us to find that lost passion and renew our vows to the estate tax we once so adored. To do so, we must reinvigorate the estate tax and restore it to its historical position as an important, robust component of our federal tax system.

Caron contends that Congress enacted the federal estate tax in 1916 to serve three policy ends. First, the act was enacted as a revenue measure, conceived in part to meet the increasing fiscal obligations in the era of World War I. Second, the tax was designed to increase the progressivity of the tax system as a whole, counterbalancing a growing inequality of income in the early twentieth century. Third, the tax was structured to help curb rising concentrations of American wealth. Caron contends that these three goals are as relevant, and important, today as they were a century ago. To meet them, he urges, the federal estate tax should be reinvigorated by reversing the recent trend toward higher exemption levels and lower rates. Paraphrasing Proverbs 5:18, Caron urges us to restore "the estate tax of our youth."

In his exploration of these three policy ends, Caron first addresses the federal estate tax's role as a revenue measure. His detailed historical and policy analysis traces the history of the estate tax as a war tax from the 1797 stamp tax used to build up American armed forces for a potential war with France through the taxes that funded the Civil War and Spanish-American War. As the nation considered entry into World War I, Congress again turned to estate taxation and enacted the modern estate tax in 1916. However, as Caron illustrates with a series of graphs and charts, recent Congresses have largely eviscerated that tax as a source of revenue. Currently, the tax impacts just 0.2% of decedents and raises just 0.6% of federal revenue, a fraction of what the estate tax generated at its more youthful prime. Caron urges Congress to reverse this modern trend by lowering the tax exemption and raising the rate, changes that could double, or quadruple, the revenue-raising potential of the tax. He contends that this increase in estate tax revenue is vital in an era in which government expenditures and the national debt both continue to grow (due in part to the "wartime" demands of battling terrorism).

Caron next turns to the second historical justification for the estate tax: its ability to enhance the overall progressivity of the U.S. tax system. Caron's work in this section utilizes economic data spanning back over a century to illustrate trends in income across socioeconomic groups. From this historical perspective, Caron illustrates a growing imbalance in income between the nation's highest wage earners and the rest of the labor force, a phenomenon fueled in part by declining progressivity in the tax system over time. He argues that the trend must be reversed and offers the estate tax as a crucial tool in that effort.

In the final section of his paper, Caron pivots to his third major point: that the concentration of wealth is growing as imbalanced as is concentration of income. As he did with the issue of income inequality, he

contends that the estate tax is uniquely suited to address this policy concern.

In sum, Caron contends, the America of 2016 looks similar to that of 1916 in numerous key ways. We are a nation at war in need of revenue, and inequalities of growth and income have risen to alarming levels. In 2016 as in 1916, the estate tax offers at least a partial solution to all of these ills. Although the estate tax seemingly has gone out of vogue with many politicians and policymakers, Caron urges us to rediscover the love we once felt for her.

Caron's work is a pithy tour through of a century's worth of economic history and estate tax policy. I recommend it highly.

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