Twitter Thread by Chuck Marr



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I sense a few double standards present in the debate over Bidens' historic Child Tax Credit proposal that would cut the child poverty rate by more than 40%.

My focus here is on a perhaps less obvious one but I think relevant: trust fund kids & the tax treatment of inheritances

Since the mid-1990s, as I'll walk through, reducing the taxation of large inheritances has been a top, if not the top, tax policy priority of conservatives and Republicans.

In parallel, as I'll also walk through, there has been a steady stream of research concluding that large inheritances reduce the work effort of wealthy heirs

Unless I've missed it, I've not sensed the type of concern about the work effects on wealthy heirs among conservative proponents of large tax-free inheritances, which we now see among some conservatives and Republican lawmakers around poor people and a larger Child Tax Credit

In 1997, as part of an agreement with Clinton, who secured wins to make health care more affordable for poor children and college tax credits, Gingrich won "reductions in capital gains and estate taxes that had been principal goals for the GOP."
https://t.co/2dbjAW1pUA

Before fast-forwarding to the 2001 Bush Tax Cut, a side note that the 1997 Clinton-Gingrich deal included the introduction of a $500 Child Tax Credit, and in which Gingrich strongly resisted including low-income children.

A key pillar of the 2001 Bush tax cut was the elimination of the estate tax, a windfall for the wealthiest heirs in the country. For Senate procedural reasons, the elimination was not made permanent and a weakened estate tax returned ten years later
https://t.co/yW210XtBFE

In 2012, during the Biden-McConnell fiscal cliff negotiation, Biden secured a temporary extension of having the child tax credit flow to more low-income families and in return McConnell secured a permanent $10 million per couple estate tax exemption

https://t.co/HaKhd0NZjv

Then in 2017, the Trump tax cut raised the amount that wealthy parents could bequeath tax-free to $22 million. This large exemption, combined with gaping loopholes, means that wealthy heirs can inherit massive sums tax-free. Heirs do not pay income tax on these windfalls.

Before turning to the research on work, note that over half of the money flowing from the largest estates to heirs is in the form of unrealized gains which have never been taxed.

Before and during this period while conservatives and Republicans were pushing to increase the amounts wealthy heirs could inherit tax-free, there was a steady stream of research on the work effects of such inheritances

Here's a 1992 paper from Holtz-Eakin, Joulfaian, & Rosen which concludes: "The results are consistent with Andrew Carnegie's century-old assertion that large inheritances decrease a person's labor force participation."
https://t.co/3quHxvySnQ

Here is another from economist David Joulfaian from 2006 which concludes that "large inheritances are found to depress labor force participation."
https://t.co/EcOri1K9UP

In this report from 2009, @dashching, @gillian_brunet, and I sum up some of these conclusions and have links to various papers.
https://t.co/sRrqQaYDF1

@mcottle 1997: "If anything, passing along large estates..increases the likelihood that a person's heirs will never have to work hard..Is this any way to foster the Republicans' much-touted work ethic? Or does that particular virtue apply only to the poor?"https://t.co/OVEfngFBJw

As the child tax credit debate progresses, and there is intense focus on the behaviors of people who have little money, I think it's healthy to step back and ask what types of double standards are being applied – perhaps like one with wealthy heirs

End