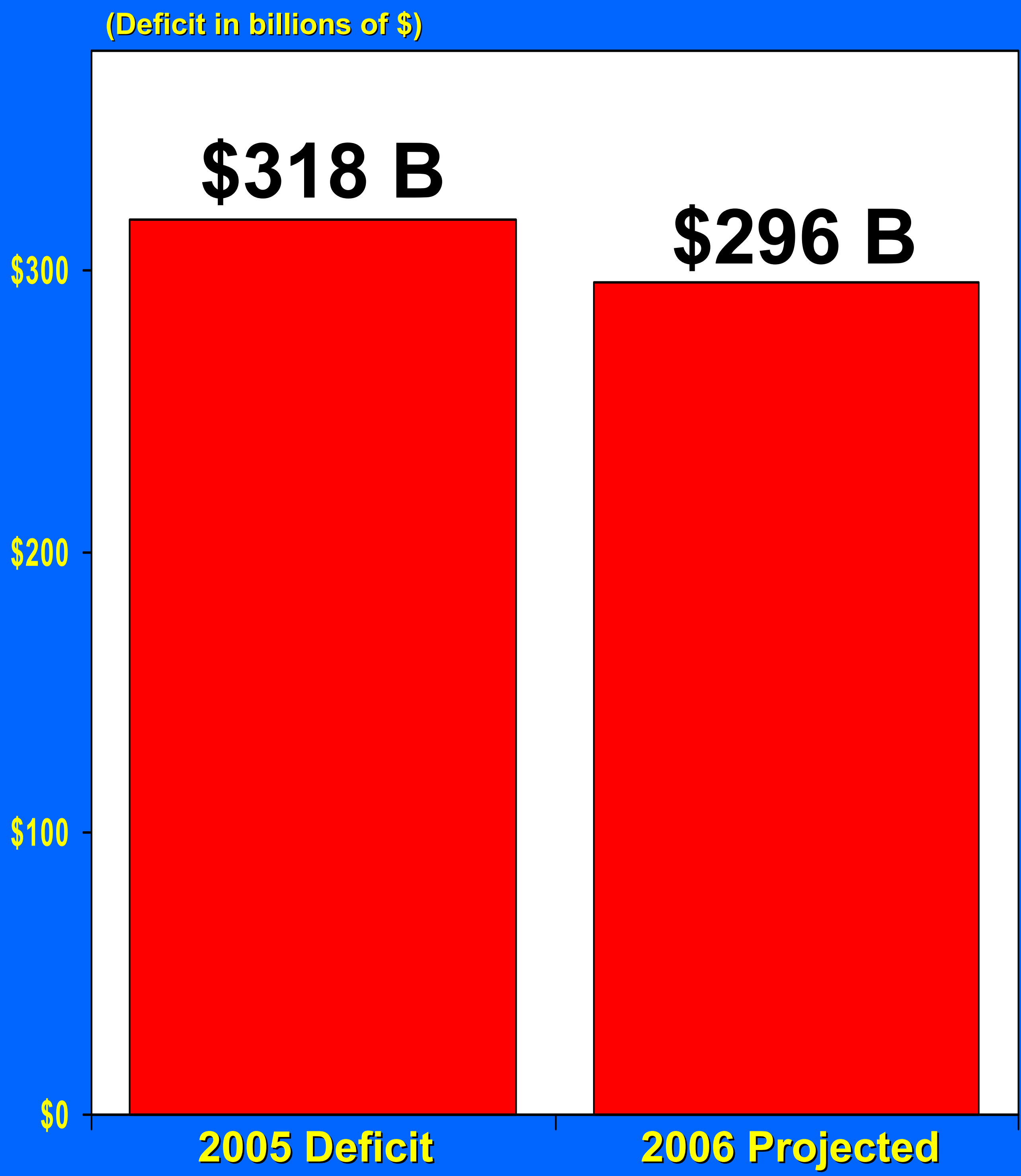
Is This Worth Celebrating?

Small Improvement in Short-Term Deficit

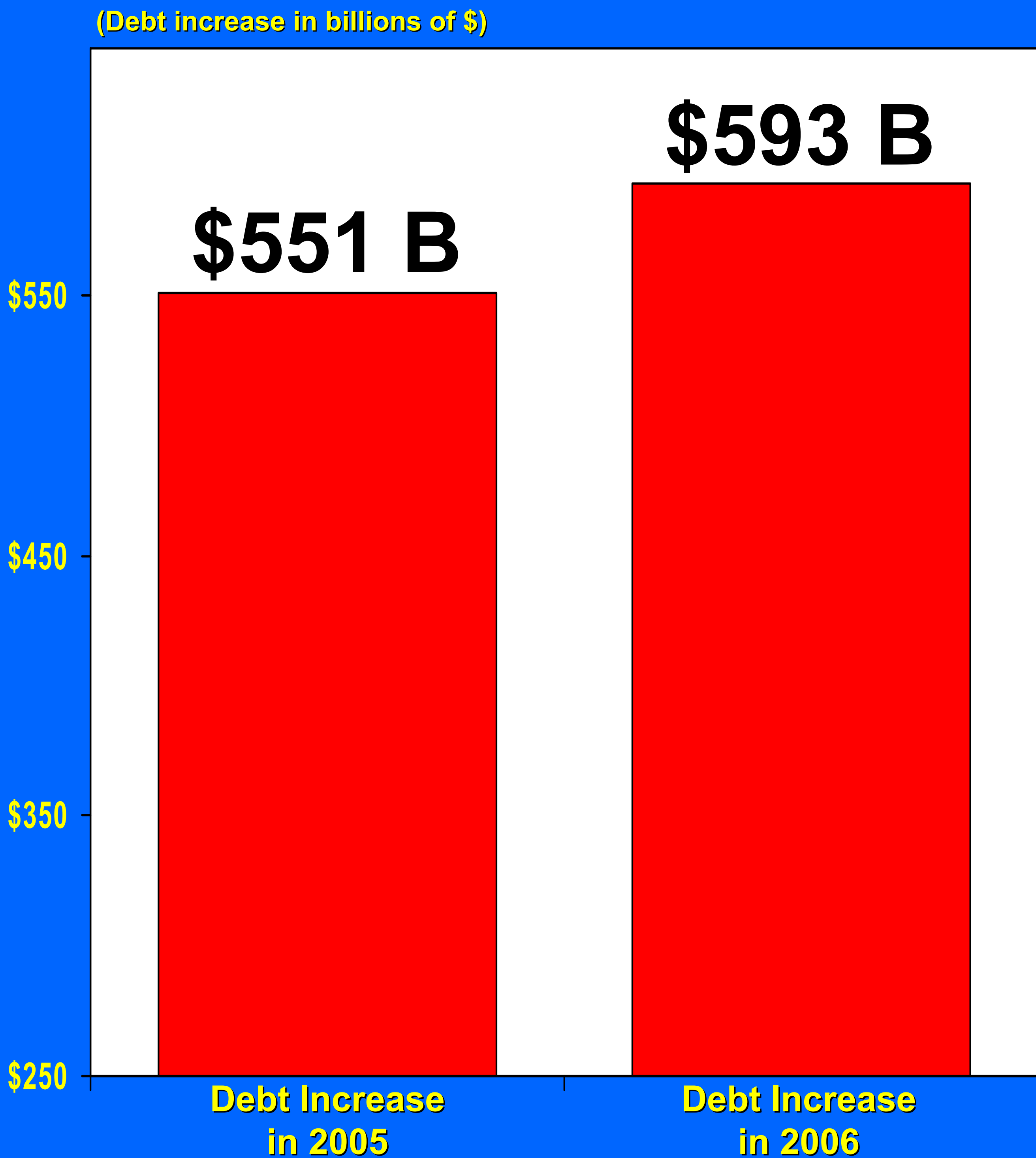


Source: CBO, OMB

Note: 2006 estimate from OMB Mid-Session Review

Is This Worth Celebrating?

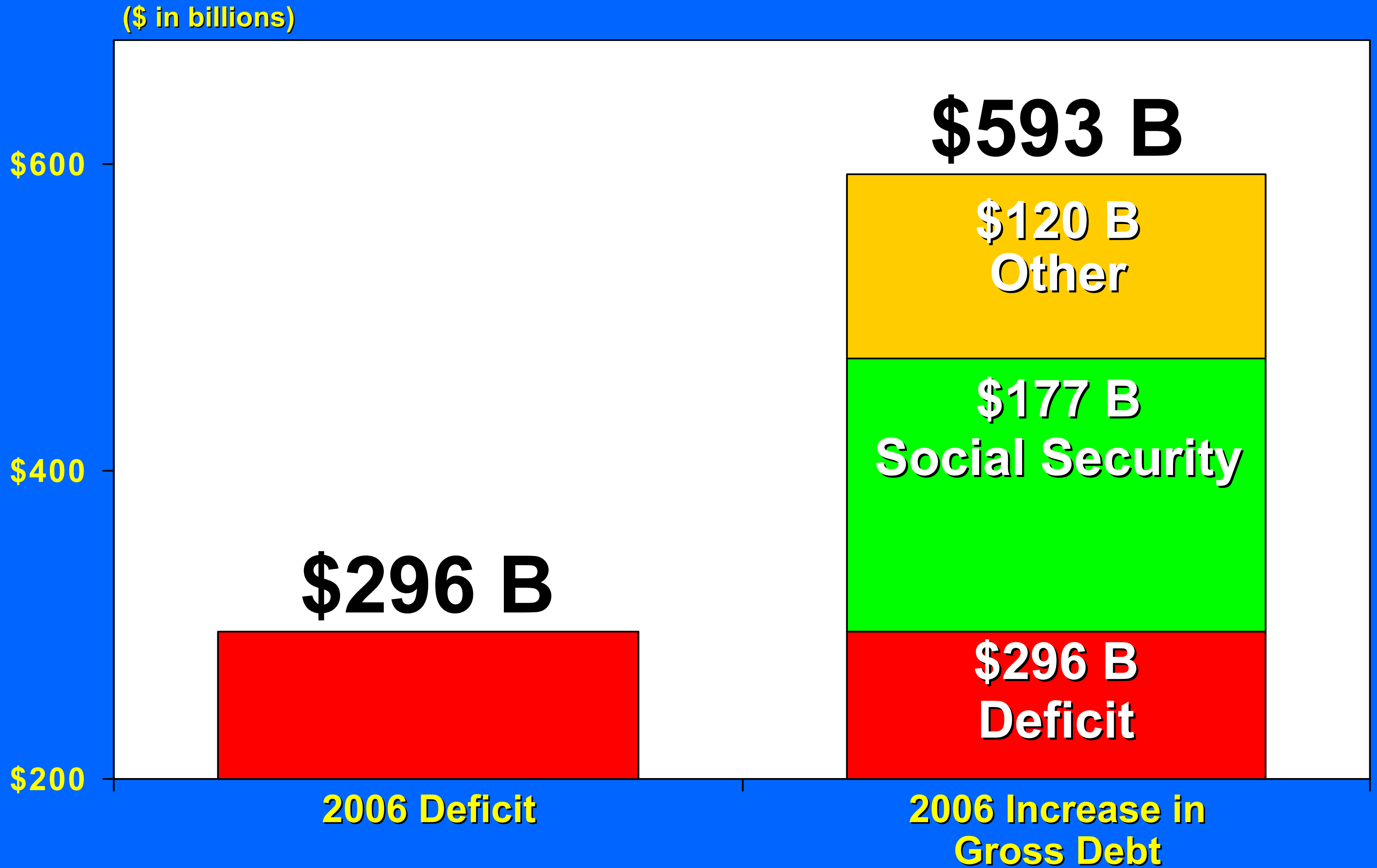
Debt Increase Gets Worse, Not Better



Source: OMB

Note: 2006 estimate from OMB Mid-Session Review

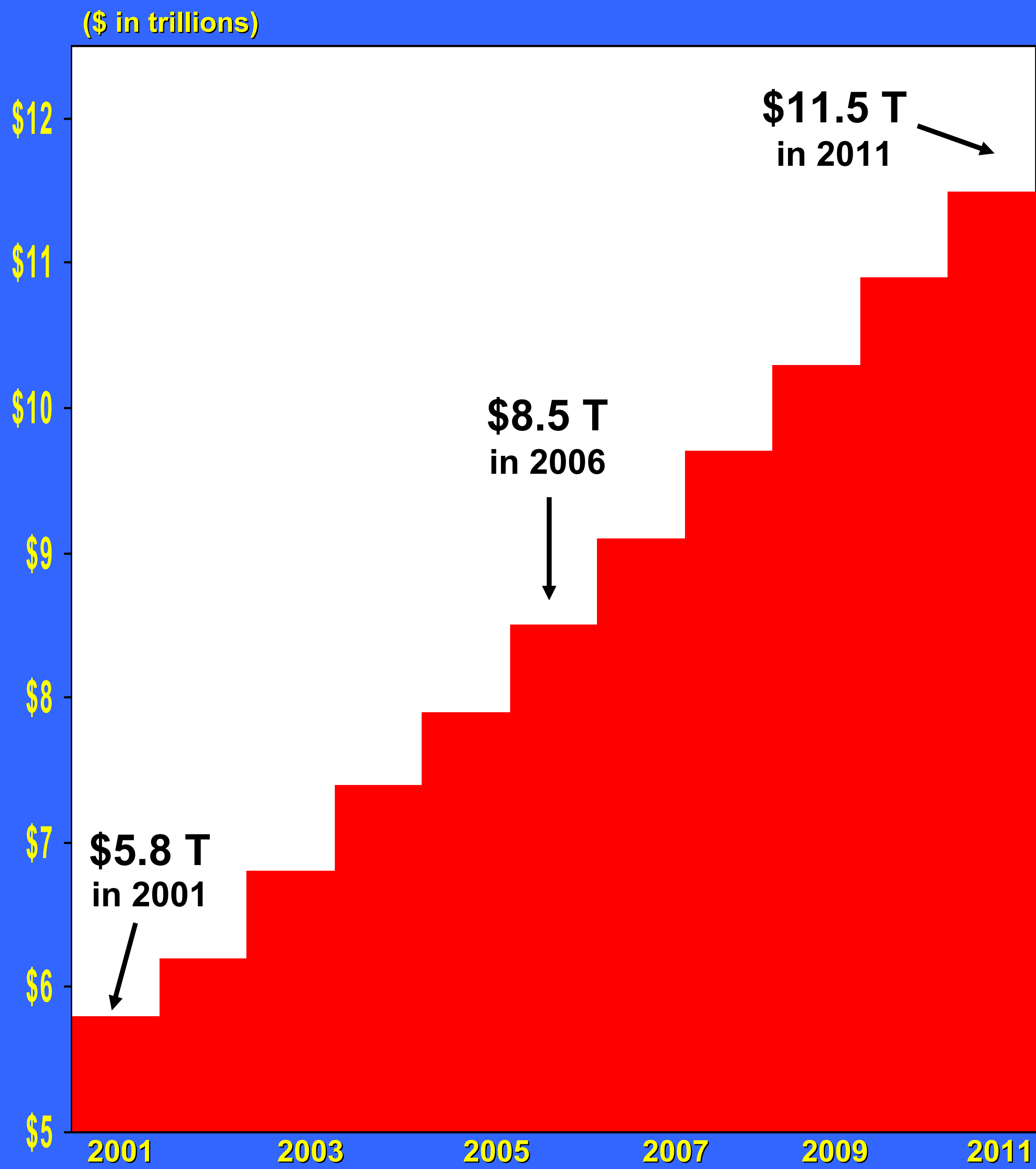
Increase in Debt in 2006 is Far Greater Than the $296 Billion Deficit



Source: OMB
Note: 2006 estimate from OMB Mid-Session Review

Building a Wall of Debt

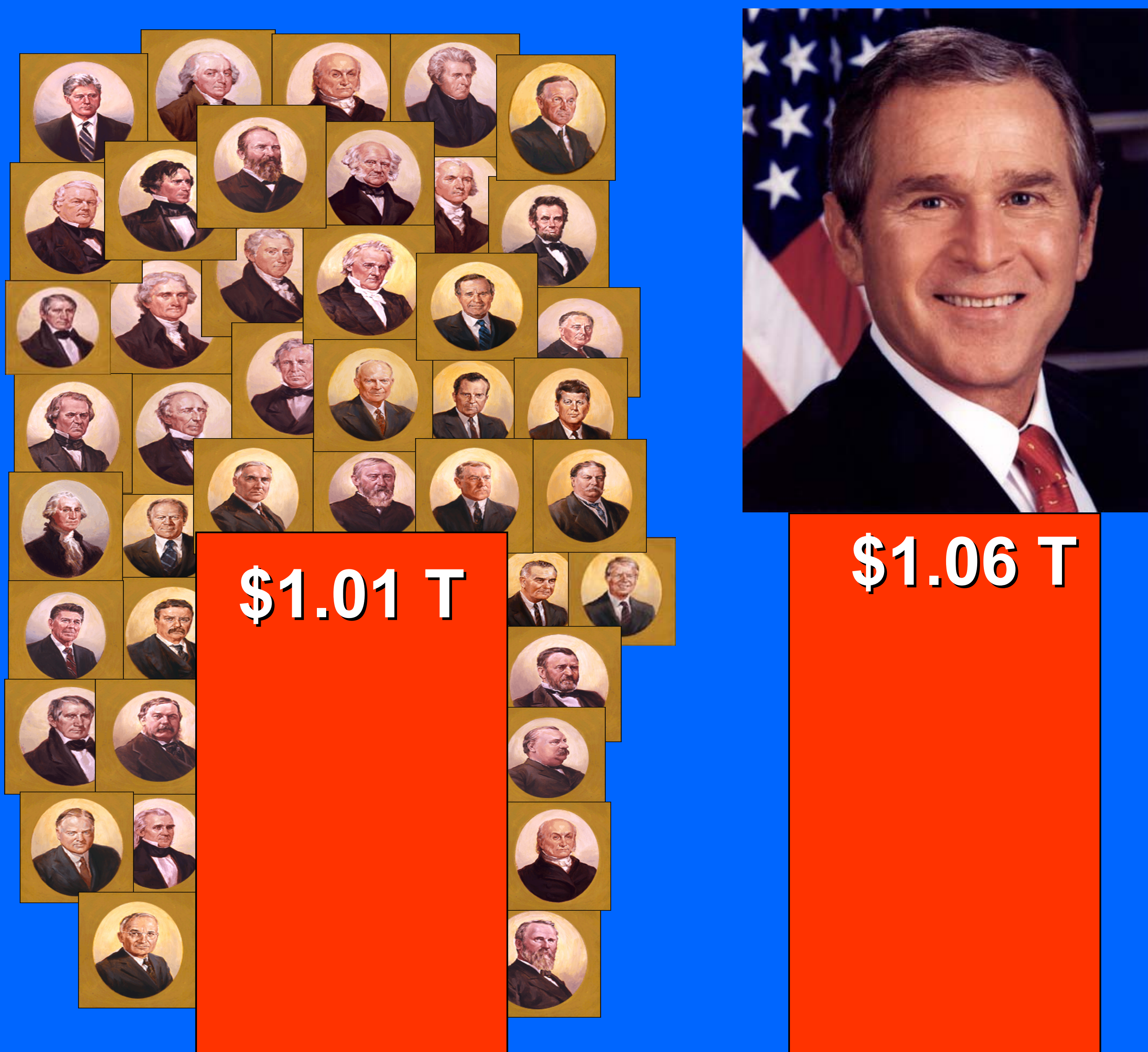
Gross Federal Debt Soars



Source: OMB and SBC Democratic staff
Note: 2006-2011 estimates from OMB Mid-Session Review with AMT reform and ongoing war costs

President Bush More than Doubles Foreign-Held Debt in 5 Years

It Took 42 Presidents 224 Years to Build Up Same Level of Foreign-Held Debt



224 Years	5 Years
(1776-2000)	(2001-2006)

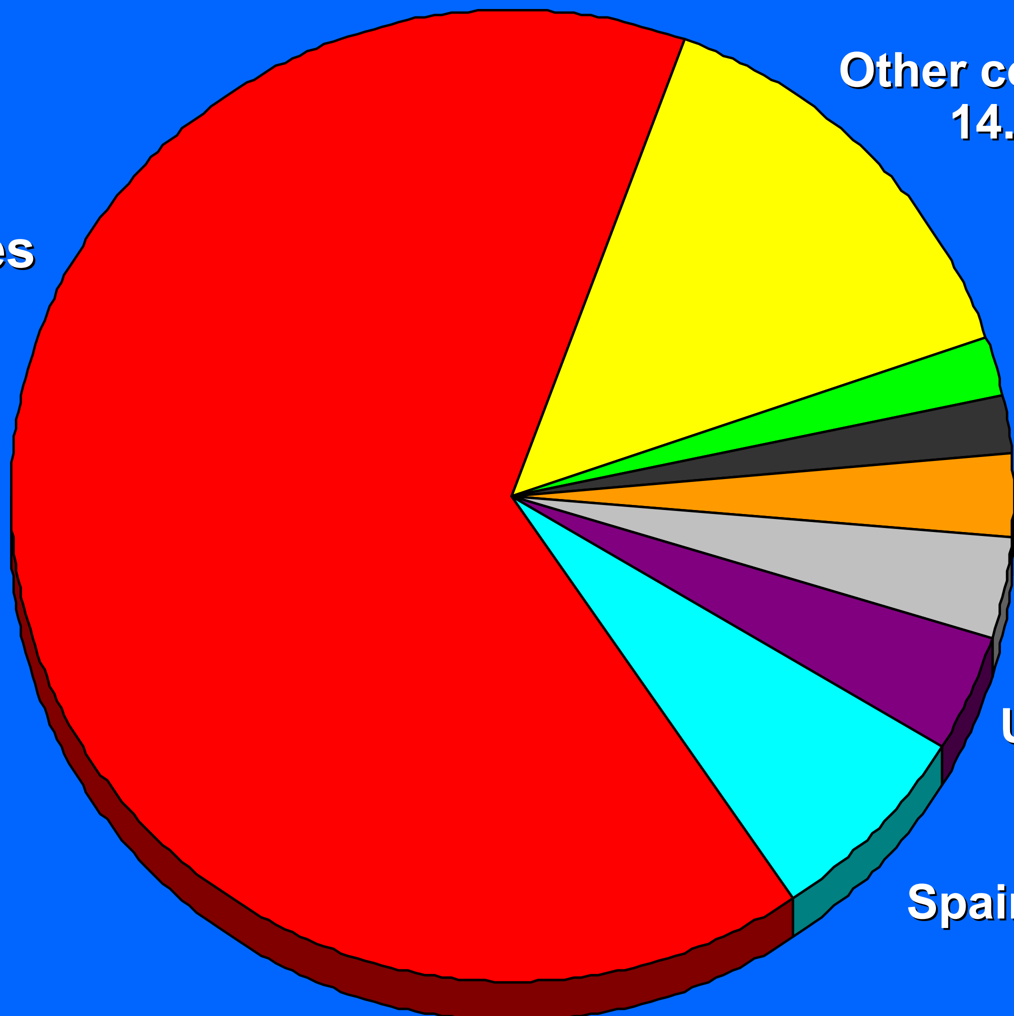
Source: U.S. Treasury

Top Ten Foreign Holders of Our National Debt

Japan	$638 B
China	$326 B
United Kingdom	$175 B
“Oil Exporters”	$103 B
South Korea	$69 B
Taiwan	$68 B
“Caribbean Banking Centers”	$61 B
Hong Kong	$51 B
Germany	$47 B
Mexico	$43 B

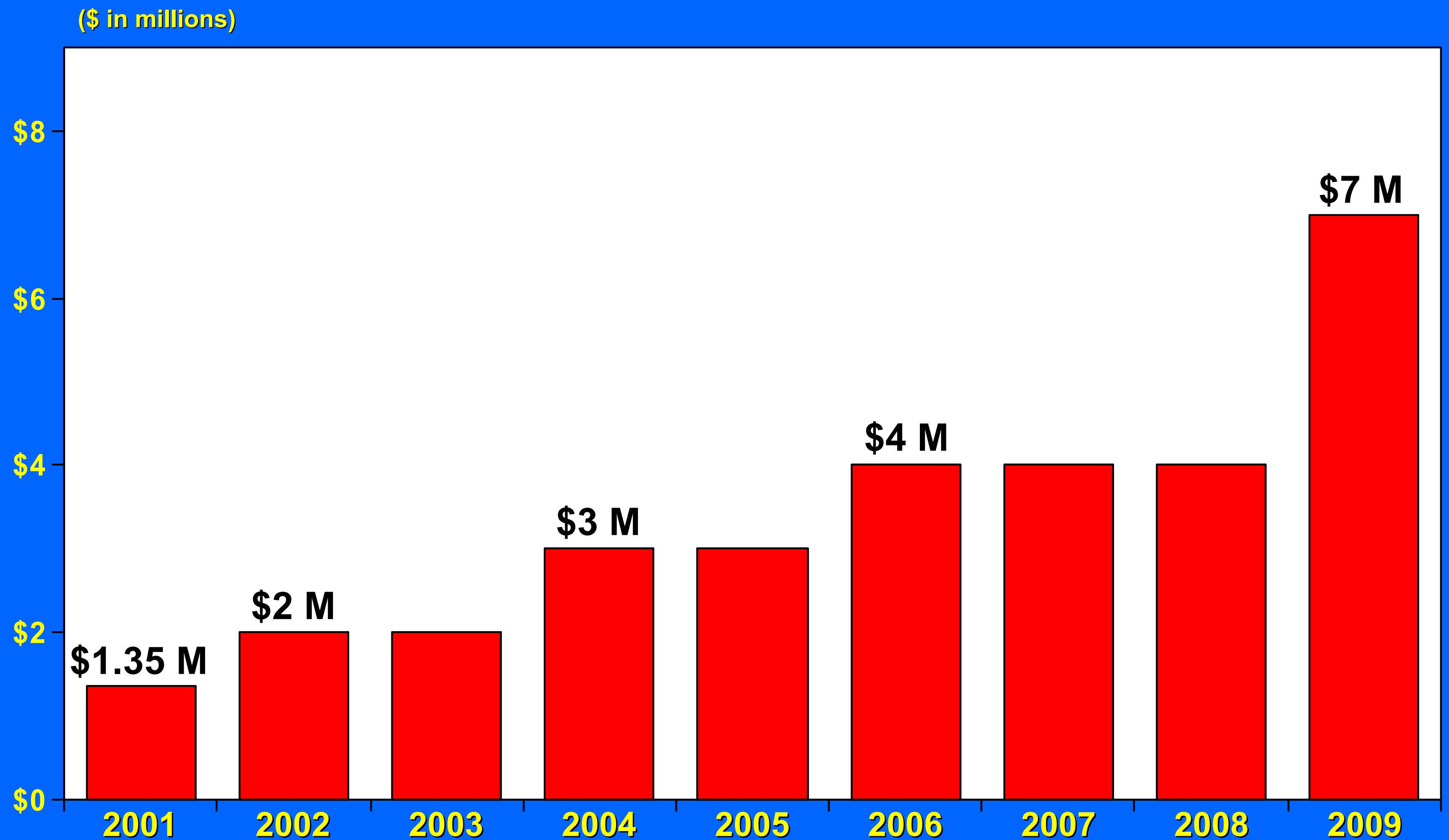
Source: Department of Treasury
Note: As of May 2006

World's Biggest Borrowers



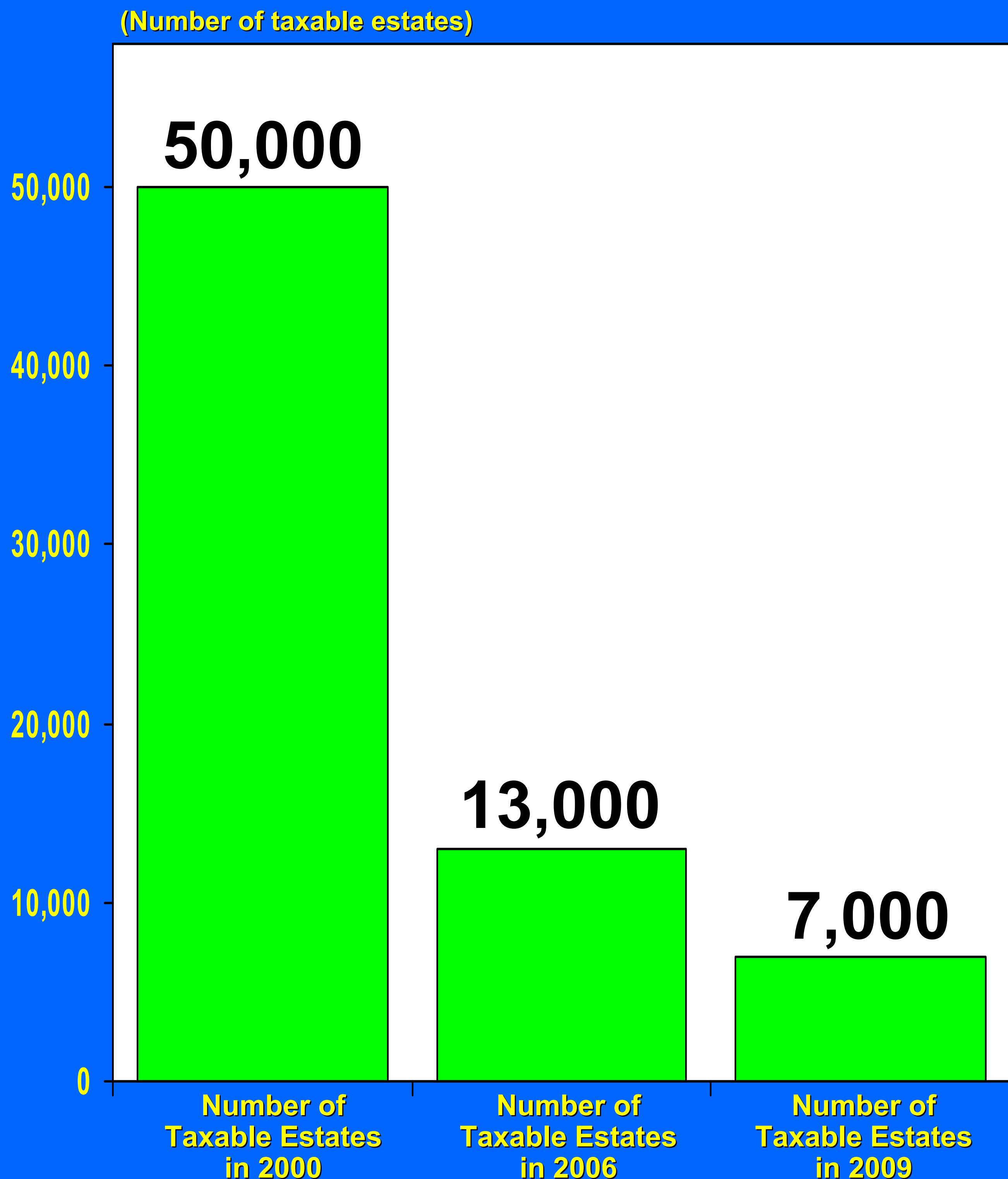
Note: Percent of world borrowing by country.
Source: IMF

Estate Tax Exemption Levels Under Current Law



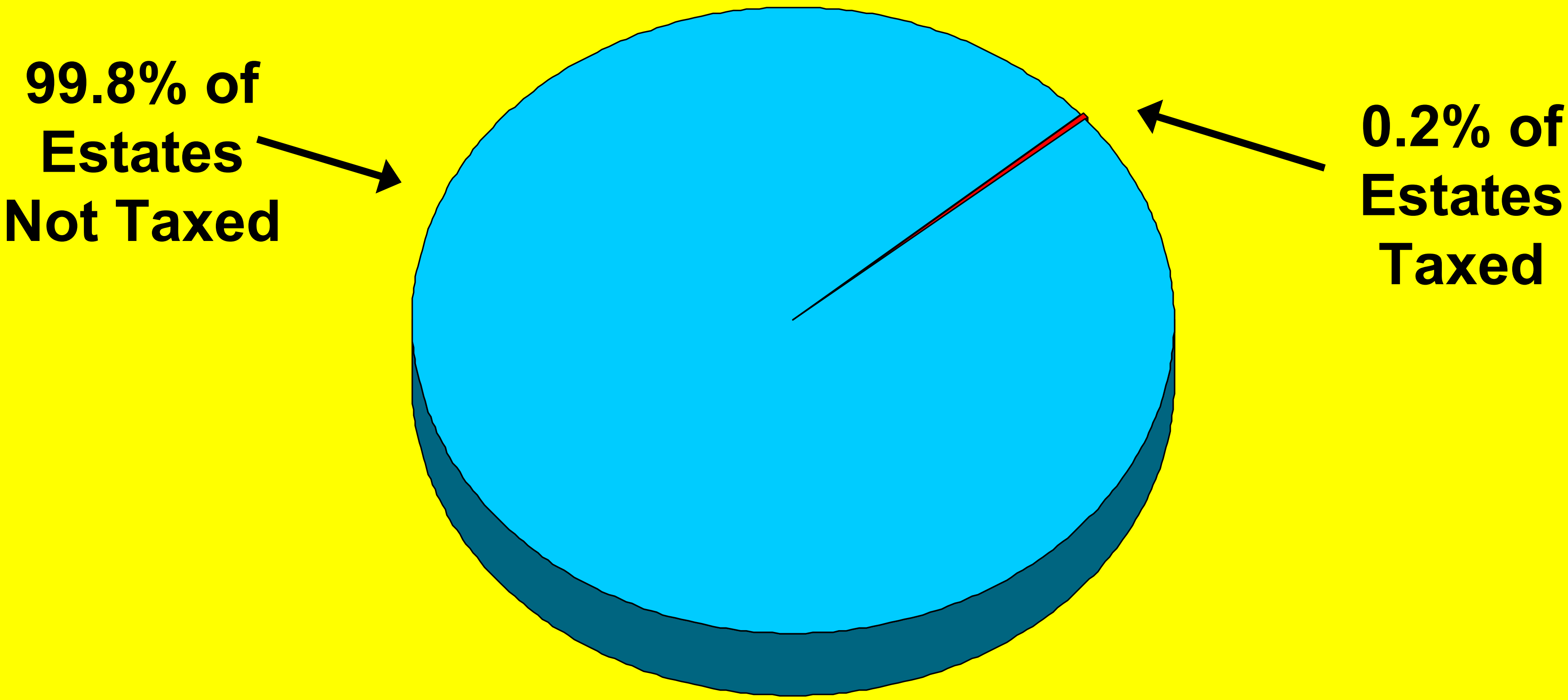
Source: Public Law 107-16
Note: Exemption levels for married couples shown

Number of Taxable Estates Falling Dramatically Under Current Law



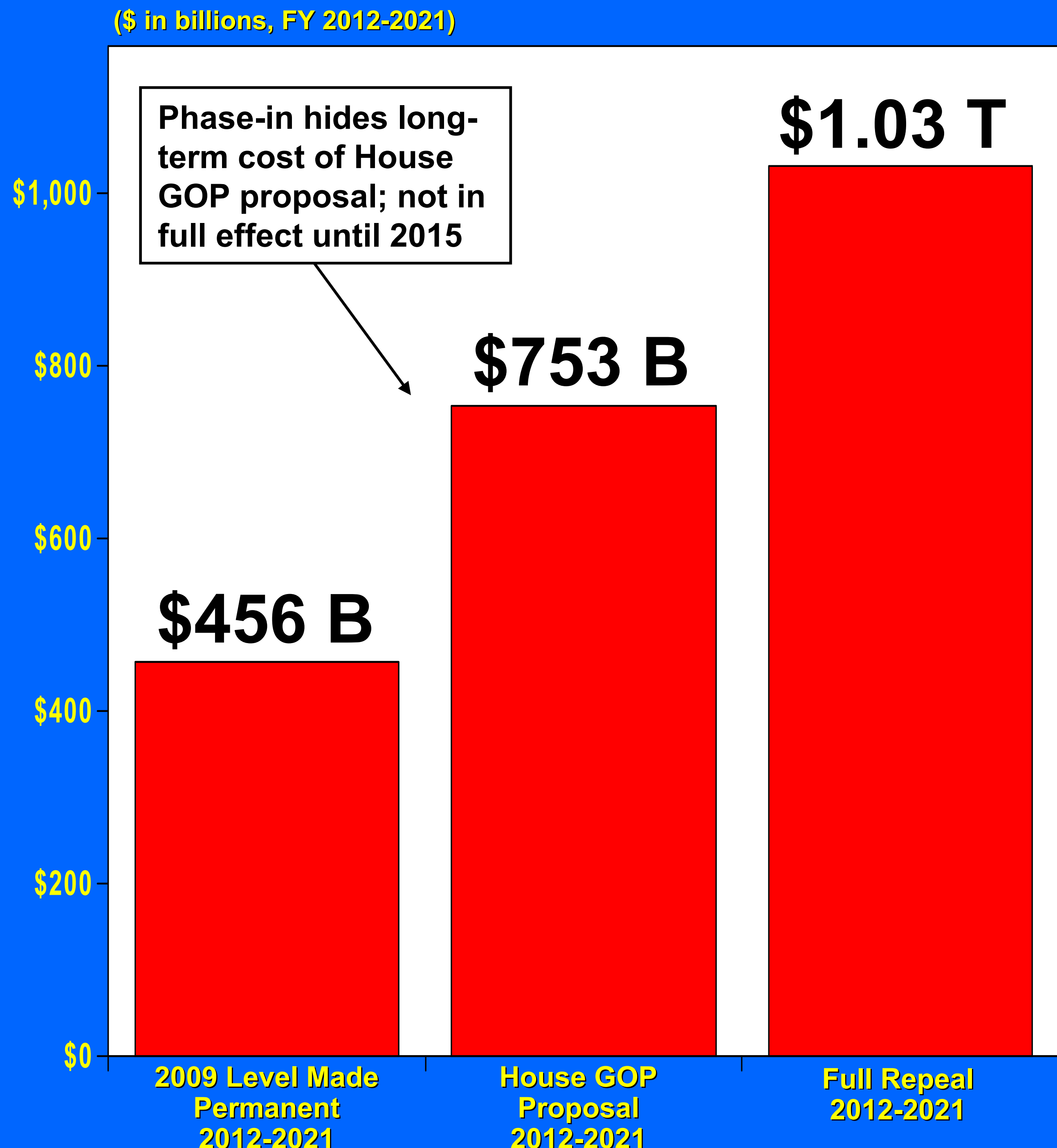
Source: CBO

In 2009, Only 0.2% of Estates Subject to Tax



Source: CRS, IRS

Cost of Estate Tax Proposals



Source: CBPP

Note: Interest costs included. Assumes 20% capital gains rate after 2010.
2009 level = $7 M exemption per couple, 45% rate
House GOP proposal = $10 M exemption per couple, rate linked to capital gains for estate below $25 M, 30% rate for estate above $25 M

The New York Times

WEDNESDAY, JUNE 7, 2006

A Boon for the Richest In an Estate Tax Repeal

By DAVID CAY JOHNSTON

Repealing the estate tax, which applies to large fortunes after death, would save a lot of money for a very few people — about one in 6,000, whose estates would each save an average of more than $800,000.

The Senate is expected to vote as early as Thursday on whether to repeal the estate tax permanently or to exempt more wealth and apply lower rates.

Under current law, the estate tax applies to single Americans and the widowed who die this year with a net worth of more than $1.5 million, a category that is projected to include about 5,200 people. That threshold will rise to $3.5 million in 2009, when about 2,500 estates will be taxed. The tax is repealed for one year, 2010, and then the threshold reverts to $1 million in 2011, resulting in taxes for 50,000 people. No tax is owed when the first spouse dies.

Over the last decade, 18 of the wealthiest families in the country have spent more than $200 million lobbying to repeal the estate tax, according to lobby disclosure reports analyzed by two groups that favor retaining the estate tax, United for a Fair Economy and Ralph Nader's organization, Public Citizen. The wealthy families include the Mars candy family; the Gallo wine family; the Wegman supermarket family; the Dorrance family, which controls Campbell soup; and the Waltons, who control Wal-Mart.

With repeal, the estates of the 50,000 richest Americans who die in 2011 would save $40.4 billion in taxes, according to the Tax Policy Center, which is affiliated with two nonprofit research organizations in Washington, the Brookings Institution and the Urban Institute.

If the $3.5 million exemption that takes effect in 2009 were made permanent, the center estimated, the number of taxable estates would fall to 10,400 in 2011. The tax would raise $11.2 billion, 77 percent of that paid by 960 estates valued at $20 million or more. The Tax Policy Center is run by tax experts who have served

The tax has little effect on 80 percent of Americans, whose net worth is too small.

both parties, but its leaders favor retaining the estate tax, which they describe as the most progressive element in the federal tax system because its costs fall directly on the fortunes of the richest Americans.

An analysis by the center showed that repealing the tax would offer little or no tax-savings benefit for 80 percent of Americans. The estate tax savings from repeal in 2011 would be significantly more than the total income taxes paid by the poorest half of Americans. The 65 million taxpayers who reported incomes of less than $29,000 in 2003 paid $25.9 billion in income taxes.

Proponents of repeal say that such short-term estimates miss the long-term benefits from repeal, which they say will spur more investment, create more jobs and thus, over time, generate more taxes from wages.

The Tax Foundation was among those groups saying that the estate tax costs as much to comply with and administer as it raises. It cited a footnote in a 1992 study about the estate tax by two leading tax economists, Henry Aaron and Alicia H. Munnell.

Mr. Aaron said yesterday that he did not stand by the footnote. He said that raising the threshold for estate taxes to $1.5 million per person meant a sharp drop in compliance costs "while keeping almost all the revenue."

Mr. Aaron added that both he and Ms. Munnell "believe in the principle that large transfers of wealth after death should be taxed."

He said that not all income was taxed, so the estate tax acts as a backup to prevent tax-free living by the richest Americans. He argued that the tax discouraged dynastic wealth and thus encouraged economic vitality. And he said that "whatever distortions" taxes caused, less harm came from those imposed after death than during life.

He added that the estate tax repeal debate had largely ignored what he thought was the central issue.

"The key point is that if you have a problem with a tax, and the estate tax has a lot of problems, there are two sensible reactions," Mr. Aaron said. "One is, 'We have a problem, let's get rid of the tax'; the other is, 'Let's fix the problem.' We should fix the problem."

A 1999 study published in the journal Tax Notes examined the costs of dealing with the estate tax and government enforcement, including the incomes of the nation's 16,000 estate lawyers. Total costs were less than 7 cents of each dollar collected, according to the authors, Jay Soled, a Rutgers business school professor, and Charles Davenport, the founding editor of Tax Notes. The Tax Foundation said it did not consider the study reliable.

Who Benefits

If Congress were to make the estate tax repeal (now scheduled for 2010 only) permanent, the heirs to the wealthiest 50,000 people who die in 2011 would save $40.4 billion in taxes, compared with the tax rules now scheduled to be in effect that year. The 920 estates valued at $20 million or more would get 29 percent of the tax savings.

Average tax savings per estate in 2011, if the estate tax is repealed

VALUE OF TAXABLE ESTATE	TAX SAVINGS PER ESTATE
Less than $1 million	none
$1 - 2 million	$ 104,000
$2 - 3.5 million	474,000
$3.5 - 5 million	950,000
$5 - 10 million	1,656,000
$10 - 20 million	3,369,000
More than $20 million	11,817,000

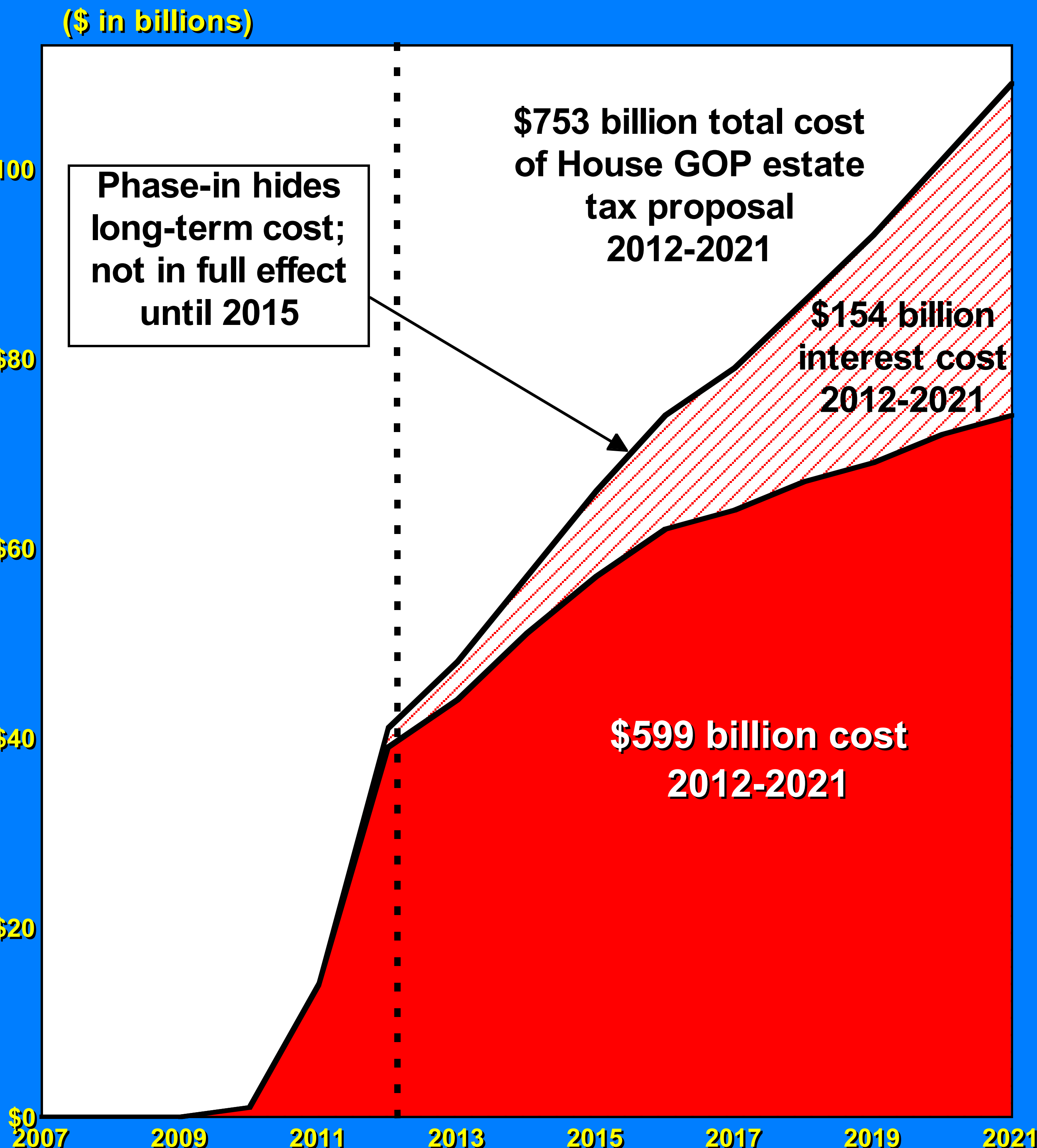
Source: Tax Policy Center

Hurricane Katrina Puts Estate Tax Repeal in Perspective

"It's a little unseemly to be talking about eliminating the estate tax at a time when people are suffering."

– Senate Finance Committee Chairman
Charles Grassley (R-IA)
Associated Press
September 14, 2005

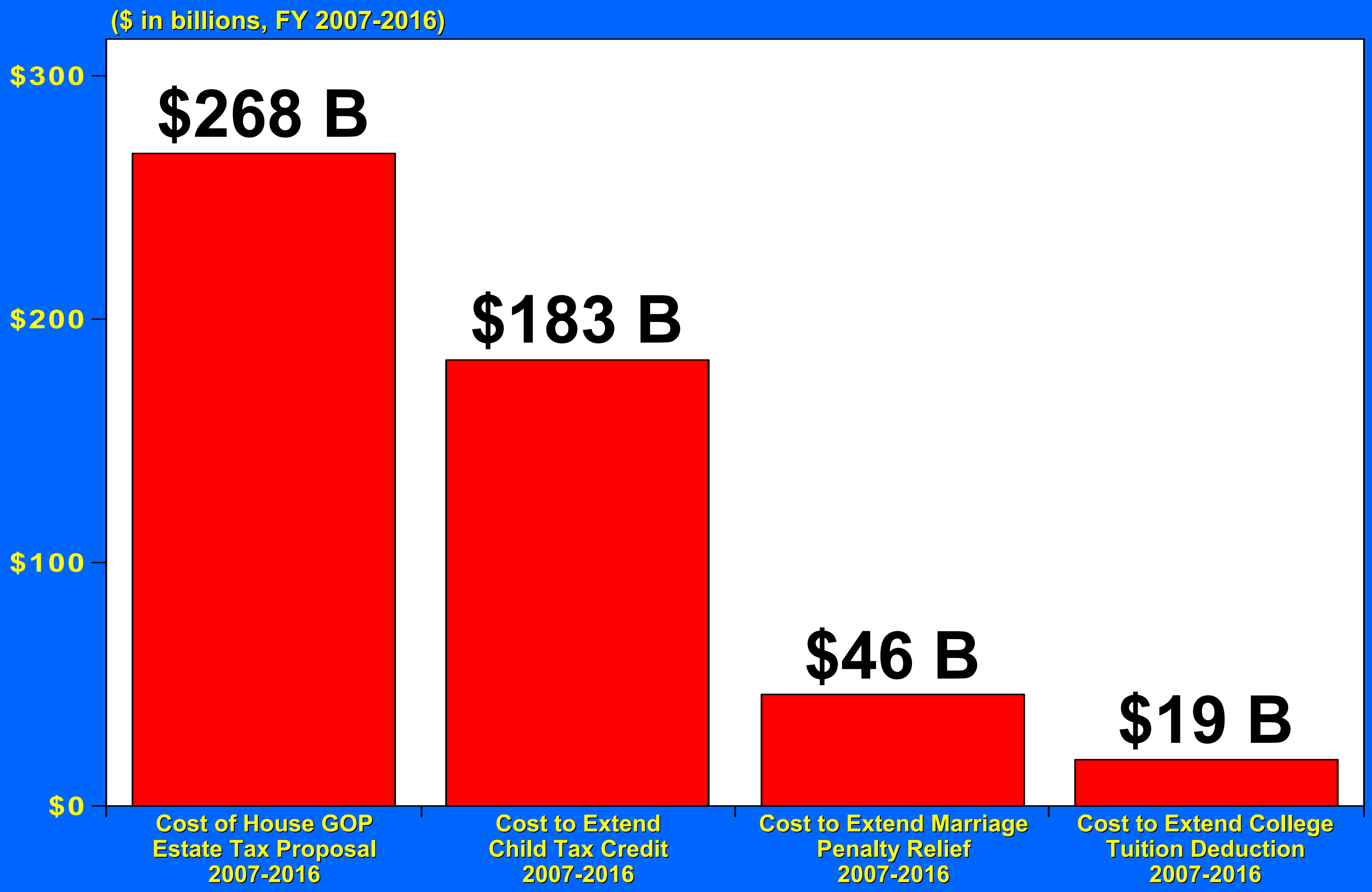
Cost of House GOP Estate Tax Proposal Explodes



Source: JCT, CBPP

Note: Assumes 20% capital gains rate after 2010

Cost of House GOP Estate Tax Proposal vs. Cost of Extending Middle-Class Tax Cuts



Source: JCT

Note: Assumes 20% capital gains rate after 2010. Interest cost not included.