

Key Elements of the U.S. Tax System

WEALTH TRANSFER TAXES

Who pays the estate tax?

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A. The top 10 percent of income earners pays more than 90 percent of the tax, with nearly 40 percent paid by the richest 0.1 percent. Few farms or family businesses pay the tax

The Urban-Brookings Tax Policy Center estimates that some 4,000 individuals dying in 2018 left estates large enough to require filing an estate tax return (estates with a gross value under \$11.2 million did not need to file this return in 2018). After allowing for deductions and credits, 1,900 estates owed tax. Over 90 percent of these taxable estates came from the top 10 percent of income earners and more than one-third came from the top 1 percent (table 1).

TABLE 1

Estate Tax, Number of Returns and Distribution of Burden
2018 Current Law



| | Expanded Cash Income Category | | | | | Businesses and Farms | |
|--|-------------------------------|---------|--------|--------|----------|----------------------|--------------------|
| | All | Top 10% | Top 5% | Top 1% | Top 0.1% | All ^a | Small ^b |
| Number of returns ^c | 4,020 | 3,530 | 3,020 | 1,970 | 480 | 450 | N/A |
| Number of taxable returns ^c | 1,890 | 1,720 | 1,330 | 690 | 150 | 140 | N/A |
| Share of all taxable returns | 100% | 91% | 70% | 37% | 8% | 7% | N/A |
| Estate tax paid (\$ billions) ^d | \$14.9 | \$13.9 | \$13.1 | \$10.6 | \$5.8 | \$1.5 | N/A |
| Share of all estate tax paid | 100% | 93% | 88% | 71% | 39% | 10% | N/A |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0718-1).

Note: Estimates are for estate tax returns filed for individuals who die in 2018.

(a) Estate tax returns on which farm and business assets represent at least half of gross estate.

(b) Estate tax returns on which farm and business assets represent at least half of gross estate and these assets are no more than \$5 million.

(c) Number of returns is rounded to nearest multiple of 10.

(d) Estate tax paid is rounded to nearest multiple of \$10 million.

Estate tax liability was about \$14.9 billion in 2018. The top 10 percent of income earners paid 93 percent of this total. The richest 0.1 percent paid \$5.8 billion, or 39 percent of the total (table 1).

According to TPC's 2017 estimates, only about 80 small farms and closely held businesses—estates with farm and business assets totaling no more than \$5 million and making up at least half of the gross estate—paid any estate tax in 2017. Small farms and businesses did not owe estate tax in 2018 because of the \$11.2 million effective exemption under the Tax Cuts and Jobs Act. The higher exemption amount expires after 2025.

Most estimates assume the decedent bears the estate tax, primarily because of data limitations. There is good reason to believe that heirs most often bear the tax. When the burdens are analyzed this way, individuals inheriting over \$1 million bear almost all of the burden of the estate tax.

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Data Sources

Urban-Brookings Tax Policy Center. "Microsimulation Model, version 0718-1."

Further Reading

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