

## Key Elements of the U.S. Tax System

Who pays the estate tax?

WEALTH TRANSFER TAXES

2/7

**Q. Who pays the estate tax?**

**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 will leave estates large enough to require filing an estate tax return (estates with a gross value under \$11.2 million need not file this return in 2018). After allowing for deductions and credits, 1,900 estates will owe tax. Over 90 percent of these taxable estates will come from the top 10 percent of income earners and more than one-third will come from the top 1 percent alone (table 1).

Estate tax liability will total an estimated \$14.9 billion in 2018. The top 10 percent of income earners will pay 93 percent of this total. The richest 0.1 percent will pay \$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 will not be subject to the 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.

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 <sup>a</sup>	Small <sup>b</sup>
Number of returns <sup>c</sup>	4,020	3,530	3,020	1,970	480	450	N/A
Number of taxable returns <sup>c</sup>	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) <sup>d</sup>	\$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.

## Key Elements of the U.S. Tax System

### Who pays the estate tax?

While most estimates assume the decedent bears the estate tax, this is 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 the estate tax almost exclusively.

---

#### Data Sources

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

#### Further Reading

Batchelder, Lily. 2009. "[What Should Society Expect from Heirs? The Case for a Comprehensive Inheritance Tax.](#)" *Tax Law Review* 63 (1).

Harris, Benjamin. 2013. "[Estate Taxes after ATRA.](#)" *Tax Notes*. February 25.

Joint Committee on Taxation. 2015. "[History, Present Law, and Analysis of the Federal Wealth Transfer System.](#)" JCX-52-15. Washington, DC: Joint Committee on Taxation.

Williams, Roberton. 2013. "[Finally, a Permanent Estate Tax, Though Just for the Wealthy Few.](#)" *TaxVox* (blog). February 7.