

SUBJECT: Repealing the inheritance tax

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 7 ayes — D. Bonnen, Button, Darby, Murphy, Springer, C. Turner, Wray
1 nay — Martinez Fischer
3 absent — Y. Davis, Bohac, Parker

SENATE VOTE: On final passage, March 25 — 31-0

WITNESSES: For — (*Registered, but did not testify:* Peggy Venable, Americans for Prosperity-Texas; Dustin Matocha, Empower Texans; Dean Wright, New Revolution Now; Mark Ramsey, Republican Party of Texas, SREC; Jeffrey Brooks, Texas Conservative Coalition; Bill Hussey; Robin Lennon; Jay Ward)

Against — (*Registered, but did not testify:* Dick Lavine, Center for Public Policy Priorities)

On — Brian Francis, Texas Department of Licensing and Regulation; (*Registered, but did not testify:* Karey Barton, Texas Comptroller of Public Accounts; William Kuntz, Texas Department of Licensing and Regulation)

BACKGROUND: In 2001, Congress passed the Economic Growth and Tax Relief and Reconciliation Act, which repealed the federal tax credit for state inheritance taxes.

Tax Code, ch. 211 governs the state inheritance tax. Sec. 211.051 imposes a tax equal to the amount of the federal credit on the transfer at death of the property of a resident.

DIGEST: CSSB 752 would repeal Tax Code, ch. 211, eliminating the inheritance tax.

This bill would take effect September 1, 2015, and would not affect tax liability accruing before that date.

**SUPPORTERS
SAY:**

CSSB 752 would repeal the inheritance tax, which already has been effectively eliminated by federal action. Because Texas law is written so that the inheritance tax is zero if the federal tax credit is zero, the comptroller only collects the tax if the death occurred before January 1, 2005, the date when the federal tax credit was abolished.

This tax accounted for only \$12,000 in general revenue in 2014. Repealing it would not in any way increase income inequality or make the tax system more regressive. The bill would enable the comptroller to shift resources away from efforts to collect on the inheritance tax and deploy those resources where they could generate far more return on investment.

**OPPONENTS
SAY:**

CSSB 752 would eliminate a tax on the grounds that it does not bring in sufficient revenue to offset the time spent collecting it. However, a tax that is comparatively less cost effective to collect should not necessarily be eliminated.

Additionally, abolishing the inheritance tax at this time would send the wrong signal. The state should be focused on remedying inequality and creating a less regressive tax system, and abolishing the inheritance tax would not address these goals.

NOTES:

CSSB 752 differs from SB 752 as engrossed by the Senate in that the Senate version would have removed a tax assessed to a person who conducts or exhibits a telecast of a combative sports event in which a fee is charged for admission or to view the telecast.

The House companion bill, HB 2114 by Murphy, was placed on the May 5 General State Calendar but was postponed.