EDITORIAL BOARD MEMO

To: Editors and Columnists
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CELEBRATE THE 100 YEAR ANNIVERSARY OF FEDERAL ESTATE TAX

WASHINGTON, D.C.— September 8 marks the 100-year anniversary of President Woodrow Wilson signing into law the federal estate tax, a levy on the intergenerational transfer of immense wealth. The tax was implemented in an effort to raise significant revenue as well as to check the rising concentration of wealth. Today, high exemption levels, loopholes that limit its effect and efforts to repeal the tax outright, have weakened the estate tax's ability to achieve these two goals.

The estate tax should be celebrated as an integral part of our nation's efforts to fight rising inequality. It should be strengthened rather than repealed.

The estate tax is the most progressive provision in the federal tax code and has historically raised substantial revenue from the wealthiest households. Even in its weakened condition today, it will raise $246 billion over the next decade entirely from households in the top 1%, according to Congress's Joint Committee on Taxation (JCT).

Despite its success, the estate tax is under withering attack in Washington, D.C. and in state capitols around the country. The U.S. House of Representatives voted to repeal it last year. Virtually every Republican senator supports repeal. All 17 Republican presidential candidates advocated for its repeal. It is a cornerstone of Donald Trump's tax plan, and it would benefit his own family immensely. (A comparison of Trump's position on the estate tax with Hillary Clinton's is below.)

Moreover, estate taxes have been eliminated in 31 states in recent years losing annual revenues of $3 billion to $6 billion combined, according to the Center on Budget and Policy Priorities. California alone could raise over $1 billion per year. The 18 states (plus the District of Columbia) that maintained taxes on inherited wealth raise a combined $4.5 billion annually.

Eliminating the estate tax would do nothing to help 99.8% of families. It would simply serve to increase economic inequality, which has been rising to historic levels.

We urge you to use the occasion of the 100th anniversary of the estate tax to pen an editorial in support of it.

ESTATE TAX BASICS

- The federal estate tax is levied on an individual's estate worth more than $5.45 million (or $10.9 million for a married couple's estate). Estates worth less than those amounts pay nothing.
- The current estate tax rate is fixed at 40%. Because of the high exemption level, those few estates that face the estate tax pay an effective rate of just 16.6% on average, according to the Urban-Brookings Tax Policy Center.
- The estate tax is paid by just the wealthiest 0.2% of estates in the country, fewer than 2 out of 1,000 estates, roughly 4,700 estates in any given year, according to the Joint Committee on Taxation.
- Despite wild claims made by opponents of the estate tax, about 20 small business and small farm estates in the entire country owed any federal estate tax in 2013.
- Taxable estates in 2016 would get a tax cut averaging more than $3 million apiece, based on an analysis of JCT data by the Center on Budget and Policy Priorities. The 318 estates worth at least $50 million would get tax windfalls of more than *$20 million* each, on average.
- On average, 55% of the value of estates worth more than $100 million is made up of unrealized capital gains that have never faced income or capital gains tax, according to Federal Reserve Board data. For estates worth between $5 million and $10 million, the unrealized capital gains that have never been taxed are 32% of the estate's value. If the estate tax were repealed, those capital gains would face *no tax of any kind* whatsoever.
- The estate tax has been in the tax code in its current form since 1916. It has existed in one form or another dating back to our founding fathers, first appearing in our laws in 1797.
- The estate tax was drastically cut by the Economic Growth and Tax Reconciliation Act of 2001, commonly referred to as the Bush tax cuts. That legislation raised the estate tax exemption from $675,000 in 2001 to $3.5 million in 2009 and lowered the top rate from 55% in 2001 to 45% in 2009, and phased the tax out completely for one year, 2010.
- The American Taxpayer Relief Act of 2012, which renewed the Bush tax cuts except for the richest 1%, raised the estate tax exemption for individuals from $3.5 million to $5 million and pegged it to inflation; the top tax rate was set at 40%.

TRUMP AND CLINTON POSITION ON THE ESTATE TAX

Donald Trump announced plans to repeal the estate tax on August 8, 2016 during a speech in Detroit, Michigan saying "American workers have paid taxes their whole life, they shouldn't be taxed again when they die." The reality is that no one who relies on a paycheck to make a living is impacted by the estate tax. Further, the bulk of assets in the biggest estates that are subject to the estate tax are unrealized capital gains that have never been taxed. Assuming the accuracy of Trump's claim that he is worth $10 billion, his proposal to eliminate the estate tax could benefit his own family by $4 billion to $7 billion.

Hillary Clinton, like President Obama, has proposed to strengthen the estate tax by lowering the exemption levels to those in 2009, which were $3.5 million ($7 million for married couples), from the current $5.45 million and $11 million. She also proposes to increase the top rate from 40% to 45%. Clinton's proposal would raise an additional $160 billion over ten years.

Comparing the candidates on estate tax:

	Hillary Clinton	**Donald Trump**
Proposed Policy	Strengthen the estate tax by lowering exemption levels to $3.5 million from $5.45 million and by raising the top rate from 40% to 45%.	Eliminate the estate tax
Revenue Effect	Increase federal revenue by $160 billion over the next ten years.	Cut revenue by $270 billion over the next ten years adding an estimated $320 billion to the deficits when counting additional interest to federal debt.
Personal Effect	Clinton's heirs would likely pay more under the proposed legislation.	Assuming Trump has a $10 billion estate, upon his death his estate would save between $4 billion and $7 billion in taxes, which would be passed onto his heirs.

ESTATE TAX THROUGH HISTORY

Taxing inherited wealth dates back to the days of ancient Egypt and the federal estate tax was nearly included in the signing of the United States Constitution. The modern estate tax was passed in 1916 in the wake of blazing social change ushered by the passage of the 17th amendment, the direct election of the Senate, and the public abhorrence of the Gilded Age levels of deep inequality.

The estate tax in 1916 levied estates ranging from $50,000 to over $5 million on a progressively rising scale from 1% to 10%. Rates have fluctuated dramatically over the ensuing decades reaching a high mark between 1942 and 1976 when the top rate was 77%. Today the top rate is 40% and its revenue accounts for less than 1% of the federal budget.

However, as Columbia Law School professor and former George H.W. Bush administration official Michael Graetz stated in 2015, "The estate tax now contributes less than one percent of federal revenues. But it is, and long has been, the most progressive tax we have, and the revenue it yields is not chump change: it is enough to pay for about three-quarters of the annual expenditures of the Department of Homeland Security."

In the debate leading up to the establishment of the estate tax, Teddy Roosevelt said, "I believe in a graduated income tax on big fortunes, and … a graduated inheritance tax on big fortunes, properly safeguarded against evasion, and increasing rapidly in amount with the size of the estate."

Famed 20th century industrialist Andrew Carnegie commenting on the estate tax said, "Of all forms of taxation, this seems the wisest. Men who continue hoarding great sums all their lives, the proper use of which for - public ends would work good to the community, should be made to feel that the community, in the form of the state, cannot thus be deprived of its proper share. By taxing estates heavily at death the state marks its condemnation of the selfish millionaire's unworthy life."

STRENGTHEN, NOT REPEAL THE ESTATE TAX

At a time of immense wealth inequality, repealing the estate tax would be a step in the wrong direction, putting more money into the pockets of the top 0.2%.

Senate Budget Committee Ranking Member Senator Bernie Sanders introduced the Responsible Estate Tax Act to strengthen the estate tax through the closure of loopholes, raising top rates, and reducing the exemption levels. The plan incorporates steeply progressive rates including a top rate of 55% on estates over $1 billion. Representative Jan Schakowsky introduced matching legislation in the House of Representatives. "The fairest way to reduce wealth inequality, rebuild the disappearing middle class, and preserve our democracy is to enact a progressive estate tax on multi-millionaires and billionaires," Sanders said.

House Ways and Means Committee Ranking Member, Rep. Sander Levin (D-MI) has introduced the Sensible Estate Tax Act, which embodies the reforms proposed by President Obama and Hillary Clinton. The plan would raise the tax rate to 45% and lower the exemption to $3.5 million. It would raise an additional $161 billion over 10 years. "Over the past decade, fewer and fewer estates have been required to pay the estate tax, further exacerbating the growing issue of wealth inequality in our nation," said Rep. Levin. "This disturbing trend is yet another stark example of how broken and unfair our tax code is, which is why we have to take action."

The American people have been unequivocally clear in their support for tax fairness, as shown by the recent polling compendium available here.

- Over the past 30 years, about 60% of Americans have consistently said they feel that America's wealth should be more evenly distributed among a larger percentage of the people, according to Gallup.
- 79% say they are bothered by the feeling that wealthy people don't pay their fair share of taxes, according to a February 2015 poll from Pew Research Center.

- 68% think wealthy households pay too little taxes, and only 11% thought they paid too much, according to an Associated Press poll in February 2015.

OTHER RESOURCES

"Happy Anniversary! The Estate Tax Turns 100," *The Wall Street Journal*, April 29, 2016.

"The One-Hundredth Anniversary Of The Federal Estate Tax: It's Time To Renew Our Vows," *Boston College Law Review*. Paul Caron, May 26, 2016.

"Death Tax Politics," *Boston College Law Review*. Michael Graetz, October 2, 2015.

"The Estate Tax: 90 Years and Counting," Internal Revenue Service, 2007.

Americans for Tax Fairness is a diverse coalition of 425 national and state endorsing organizations that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.

The Institute for Policy Studies is a multi-issue research center that has conducted path-breaking research on inequality for more than 20 years. The IPS' Inequality.org website provides an online portal into all things related to the income and wealth gaps that so divide us in the United States and throughout the world.