AMERICANS FOR TaxFairness

October 5, 2016

The Honorable Kristi Noem
2422 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Noem:

We understand the loss of any family member or loved one is a tragic personal situation, but Americans for Tax Fairness could not help commenting on your recent Fox News op-ed.

It is important to realize that the requirements for paying federal estate taxes have changed substantially in the 22 years since your father's accident. While his death may have triggered the estate tax in 1994, when the exemption from the tax was set at $600,000, today the estate would have to be worth at least $5.45 million (and $10.9 million for a married couple's estate) before any tax would be assessed.

Such a high exemption level means the estate tax applies to only the wealthiest 0.2% of estates, according to the Joint Committee on Taxation. And because there are so many accounting methods that allow a family to reduce the assessed value of an estate, very few are required to pay it. Only about 20 small business and small farm estates in the entire country owed any estate tax in 2013, according to the Tax Policy Center. In South Dakota just 21 estates of any type paid any estate tax in 2014, according to the IRS.

It's important to note that it has not been shown that a single family farm has ever been lost as a result of the estate tax. At a Republican-led House Ways & Means Committee hearing last year, advocates for eliminating the estate tax could not provide evidence of any family farms that had been sold to pay estate taxes.

As with many tax issues, the standard tax rate is not what people actually end up paying. While the estate tax rate is currently 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 Tax Policy Center.

Your op-ed criticized Hillary Clinton for proposing to increase the top estate tax rate to 65%, which would apply to estates valued at more than $1 billion per couple. But this would apply to very few Americans. In 2014, there were only 223 estate-tax payers with estates valued at $50 million or more—far below the $1 billion threshold proposed by Clinton—according to the IRS.

The estate tax is a long-standing part of our tax code and has been an integral part of our nation's efforts to fight rising inequality. To narrow our nation's destabilizing wealth gap and reform a system in which the richest one-tenth of 1% own as much as the bottom 90%, then the estate tax should be strengthened, not repealed.

More about our views can be found in this memo.

Sincerely yours,

Frank Clemente
Executive Director

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