

## EDITORIAL BOARD MEMO

To: Editors and Columnists

From: Frank Clemente, Executive Director, Americans for Tax Fairness

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### **U.S. HOUSE OF REPRESENTATIVES VOTE ON ESTATE TAX REPEAL THIS TAX DAY WOULD PROVIDE MASSIVE TAX BREAK FOR MILLIONAIRES AND BILLIONAIRES**

#### *Data Available Showing Number of Estates Affected in Your State*

**WASHINGTON, D.C.**—The week of [April 13<sup>th</sup>](#) the U.S. House of Representatives will vote to repeal the federal estate tax, a levy on the intergenerational transfer of wealth that provides an important check on the growing concentration of wealth in America, encourages charitable giving, and generates revenues from those most able to pay. Ending this commonsense tax will exacerbate inequality in America. It will hand a huge tax cut to the nation's wealthiest heirs as Republican leaders proceed with budget plans that will slash \$5 trillion in services and benefits, which mostly benefit working families, and as millions of Americans work harder than ever just to make ends meet.

The House Ways and Means Committee voted to repeal the estate tax in a 22-10 party line vote March 18. Recently, the U.S. Senate passed an amendment to the budget resolution that called for the repeal of the federal estate tax in a [54-46 vote](#) almost entirely along party lines.

**The estate tax repeal effort coincides with Tax Day (April 15), when many working Americans are paying their fair share of taxes. We urge you to oppose repealing the estate tax and editorialize on this brazen attempt to further stack the deck in favor of the richest Americans.**

Repeal will cost \$269 billion over 10 years, according to the non-partisan [Joint Committee on Taxation \(JCT\)](#). Proponents have no plan to offset the cost with new revenues or spending cuts.

Estate tax repeal will give a [\\$3 million average tax cut for the wealthiest 0.2 percent](#) of households, or 1 in 500 estates, according to the JCT. For estates valued at over \$50 million, the average tax break is a staggering \$20 million. This comes at a time when growing income and wealth inequality is in the news and when [polling shows](#) most Americans want to increase taxes on the wealthy and on corporations.

The timing of this repeal push is particularly insulting given that the House recently passed a budget that would [slash \\$5 trillion of spending over the next 10 years](#), push millions of Americans deeper into poverty, and not raise a dime of new revenue from the wealthy and corporations. The spending cuts, which spared the military, are targeted at programs that benefit working families and are critical for investing in the future – Medicare and Medicaid,

food stamps, Pell Grants for low-income college students, K-12 education funding, infrastructure spending, researching new medical cures and more.

Moreover, the House budget allows critical provisions of the Earned Income Tax Credit and the Child Tax Credit to expire at the end of 2017, meaning more than 13 million working families, including nearly 25 million children, would lose an average [of \\$1,073 per family](#). Hundreds of members of Congress who voted for the House budget will, just a few weeks later, be voting in favor of a \$269 billion tax giveaway to the richest 0.2% of estates. America's tax system is already rigged, and many in Congress will make it worse.

## ESTATE TAX BASICS

- The federal [estate tax](#) is levied on an individual's estate worth more than \$5.4 million (or \$10.9 million for a married couple's estate). Estates worth less than those amounts pay nothing.
- The estate tax rate is graduated – like the income tax – with a top rate of 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 percent of estates in the country, fewer than 5,500 estates in any given year, according to the [Joint Committee on Taxation](#).
- Estate tax repeal would cost \$269 billion in lost revenues, according to the [JCT](#).
- Taxable estates in 2016 would get a tax cut averaging more than \$3 million apiece, according to [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 in 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%.

**A state breakdown showing the number of estates that will pay estate taxes in 2016 is [available here](#).** In a number of states where estate tax opponents are active, very few households pay any estate tax. For example, Rep. Paul Ryan (R-WI), chairman of the House

Ways and Means Committee that approved the estate tax bill, has just 70 estates that would face the tax in 2016. Sen. John Thune (R-SD), Senate sponsor of the estate tax repeal bill ([S. 860](#)), has just 20 estates that will owe any tax next year. In 15 states at least one Senator voted in favor of repeal despite having fewer than 50 estates owing any estate tax including: Alabama, Alaska, Arkansas, Idaho, Kansas, Kentucky, Mississippi, Montana, Nevada, New Hampshire, New Mexico, North Dakota, Utah, West Virginia, and Wyoming.

## WHY THE ESTATE TAX MATTERS

The estate tax is a modest corrective to the concentration of wealth and power that has been increasing in recent years. It raises significant revenue to pay for needed investments or to reduce the deficit. For example, the \$269 billion cost over 10 years of repealing the estate tax could pay for the following over 10 years:

- The \$164 billion shortfall in the [highway and mass transit trust funds](#), according to the Congressional Budget Office.
- President Obama's [\\$75 billion proposal](#) to provide all low- and moderate-income 4-year-olds with high-quality, publicly-funded preschool.
- President Obama's [\\$60 billion plan](#) to provide free community college to 9 million students.
- The combined budgets of the Food and Drug Administration, the Centers for Disease Control and Prevention, and the Environmental Protection Agency, according to the [Center on Budget and Policy Priorities](#).

A tax break that exclusively benefits the top 0.2% will inevitably lead to greater wealth inequality and contribute to the rising concentration of wealth. Today the top 0.1% own approximately the same level of wealth as the bottom 90% combined, according to research by [Emmanuel Saez and Gabriel Zucman \(p.22\)](#). [Saez also calculates \(p.1\)](#) that the top 1% have captured 91% of income gains in the three years following the recession from 2009 to 2012, an unprecedented rise.

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

- 79% think the wealthy aren't paying their fair share of taxes, according to a March 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.

## ESTATE TAX MISINFORMATION

Estate tax opponents have made a number of claims that are misleading in nature or completely lack factual backing. The nonpartisan [FactCheck.org website recently examined](#)

[claims made by Sen. Thune](#) in favor of repeal, and described them as “distortions.” Below are some examples of claims made by estate tax opponents along with the actual facts:

CLAIMS MADE BY ESTATE TAX OPPONENTS	ESTATE TAX REALITY
Estate tax repeal would help low- and moderate-income families.	Estates worth less than \$5.4 million for an individual and nearly \$11 million for a married couple are exempt from paying any tax. <a href="#">99.8% of estates would not be affected</a> , according to Joint Committee on Taxation (JCT) data. But many of their beneficiaries would likely be hurt by the potential decrease in benefits and services or the increase in revenue from other sources to make up for the revenue loss that estate tax repeal would cause.
The repeal of the estate tax is not about the wealthy.	The beneficiaries of repeal are slated to get <a href="#">a \$3 million tax cut</a> , on average, in 2016, according to JCT data. The 318 estates worth at least \$50 million would receive tax windfalls averaging more than <i>\$20 million</i> each.
The estate tax is killing family farms and closely held small businesses.	No family farm has ever been lost as a result of the estate tax. <a href="#">David Cay Johnston</a> won a Pulitzer Prize for exposing this canard in 2001 at a time when the estate tax was significantly more robust.
A significant portion of farmers and small businesses pay the estate tax.	Of the millions of small businesses and small family farms, <a href="#">only 20 paid any estate tax in 2013</a> , according to the Tax Policy Center. If large farms are included, <a href="#">the number is still only 120 estates</a> (Table 3), the average net worth of which is over \$20 million. Protections exist for farms and small businesses that do owe estate tax.
The estate tax disproportionately hurts people of color.	A recent study by the <a href="#">Pew Research Center</a> shows the net worth of white households is 13 times more than black households. A <a href="#">2004 report by Boston College (Table 5)</a> shows that 0.00% of African Americans have a household net worth above \$5 million, the current exemption for the federal estate tax.
The estate tax is a double tax.	<p><b>Fact:</b> On average, <a href="#">55% of the value of estates worth more than \$100 million</a> 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 <i>no tax of any kind</i> whatsoever.</p> <p>The reason is that a giant loophole allows capital gains to escape taxation by exempting inherited assets from being subject to capital gains taxes. It works this way: if an individual bought stock valued at \$10 million a decade ago that is worth \$50 million upon their death, the \$40 million gain will <i>never face any capital gains or income tax</i>, either in the hands of the estate or the estate’s heirs.</p> <p>What’s more, with no estate tax, heirs could never face tax on those gains either – over generations, wealthy families can arrange their affairs to avoid ever paying taxes on massive amounts of wealth.</p>

We urge you to oppose repeal of the estate tax, which would be a huge tax giveaway to America’s wealthiest heirs. It is being pushed at a time when millions of working Americans

could face dramatic cuts in federal services and benefits and lose critical tax credits they need to pay their bills. The estate tax is needed to ensure that the wealthiest Americans pay their fair share of taxes, and that the economy works for all of us, not just the wealthy few.

Policy experts at ATF and at our coalition partners are always available to provide you with a telephone briefing or send you more information. Thank you for your consideration on this important issue.

## RESOURCES

### Articles

[Republicans have a new plan to cut taxes for the top 0.2 percent](#), *Washington Post*, April 1, 2015

[Thune's Estate Tax Distortions](#), FactCheck.org, March 31, 2015

[How Wal-Mart's Waltons Maintain Their Billionaire Fortune](#), Bloomberg News, Sept. 12, 2013

### Opinion Columns

[The Misguided Crusade to Kill the Estate Tax](#), *US News and World Report*, March 27, 2015

[No, the estate tax isn't destroying family farms](#), David Cay Johnston, Al Jazeera America, March 27, 2015

[Republicans Are Still Obsessed With Cutting Taxes for Rich Heirs](#), Slate.com, March 25, 2015

[Look How Easy It Is to Game Estate Taxes](#), Bloomberg View, Dec. 17, 2013

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.

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