Please Oppose the Death Tax Repeal Act, H.R. 1105

March 25, 2015

Dear Ways and Means Committee Member:

On behalf of Americans for Tax Fairness’ 425 national and state organization members, I urge you to oppose H.R. 1105, the Death Tax Repeal Act. Repealing the federal estate tax would give a massive tax cut to the wealthiest households, blow a hole in the deficit and slash revenue needed for new investments that make the economy more productive.

The estate tax exists to provide a meaningful check on the growing concentration of wealth, while generating revenue from those most able to pay and encouraging charitable giving. America is rapidly becoming divided between the extremely rich and everyone else; repealing the estate tax will exacerbate that trend.

The top 1% owns about 42% of the nation’s total wealth, and the bottom 90% owns about 23% of it. The estate tax is a small step to level the playing field and create an economy that works for all.

The arguments made for repealing the estate tax are fraudulent and cloak the real aim of this legislation, which is to provide a large tax cut to the wealthy. Today, the vast majority of deaths — 99.8% — do not trigger federal estate taxes, according to the Joint Committee on Taxation. Just 2 out of every 1,000 estates owe any estate tax. It is a tax paid by billionaires and millionaires. While the top estate tax rate is 40%, the average tax rate paid is just 17%, according to the Tax Policy Center (TPC). Despite wild assertions to the contrary, only about 20 small business and small family farm estates nationwide owed any estate tax in 2013, according to TPC.

We urge Congress to go in the opposite direction — the estate tax needs to be strengthened, not repealed. We believe the American people support such an effort. A recent Pew Research Center poll found that the chief complaint about the tax system held strongly by 61 percent of the public is that the wealthy don’t pay their fair share of taxes. This compilation of tax questions from polls in recent years mirrors these views.

At a minimum, Congress should enact President Obama’s proposal to change the threshold for paying the estate tax back to 2009 levels. This will reduce the current estate tax exemption from $10.8 million for married couples to $7 million, and increase the top estate tax rate from 40% to 45%. With these modest changes 99.7% of Americans still would be exempt from
federal estate taxes. These changes, along with provisions to close egregious estate tax loopholes and limit avoidance of the estate and gift tax will raise an additional $214 billion over ten years, according to the Office of Management and Budget.

Congress should also close a billionaire’s loophole known as the Grantor Retained Annuity Trust (GRAT), which allows estates of super-wealthy decedents to avoid the estate tax. These specialized trusts allow billionaires, such as Walton family members and Sheldon Adelson, to pay little if any estate and gift taxes on estates worth billions. Adelson alone has used GRATs to avoid over $2 billion in taxes, according to a report by Bloomberg.

The current estate tax is projected to raise about $246 billion over 10 years, according to the Congressional Budget Office (CBO). This additional revenue is a drop in the bucket for the richest Americans, but it would have a big impact on the country. For example, the 10-year shortfall in the highway and mass transit trust funds is $164 billion, according to CBO. The cost of President Obama’s proposal to provide all low- and moderate-income 4-year-olds with high-quality, publicly-funded preschool is $75 billion over 10 years. Providing free community college to 9 million students would cost $60 billion.

People achieve significant wealth by various means – through birth, inheritance, hard work, brilliant ideas and good luck. But their success often depends on the benefits derived from public investments in infrastructure, education, research, and a legal system to protect property rights. If we continue to fail to make these investments, we will preclude future generations from the same wealth creating opportunities that today’s millionaires and billionaires have enjoyed. No one is guaranteed success in America, but everyone deserves a fair shot to succeed. The promise of America should be for everyone, not just for the wealthy.

For all of these reasons, we strongly urge you to oppose H.R. 1105.

Sincerely,

Frank Clemente
Executive Director