

52 NATIONAL ORGANIZATIONS URGE SUPPORT OF THE SANDERS-GOMEZ ESTATE TAX REFORM BILL: “FOR THE 99.5% ACT”

March 25, 2021

Dear Member of Congress:

The undersigned organizations urge you to cosponsor the For The 99.5% Act, whose lead sponsors are Sen. Bernie Sanders and Rep. Jimmy Gomez. The legislation would strengthen the federal estate tax, which is paid only by the top 1% by wealth. It would [raise \\$430 billion](#) over 10 years, according to the Joint Committee on Taxation, which could be invested to create jobs and fund important public services., which could be invested to create jobs and fund important public services. It would also provide a meaningful constraint on the growing and harmful concentration of wealth and income inequality in America.

America’s yawning wealth gap continues to widen. The richest 1% own nearly [32% of the nation’s wealth](#), while the bottom 50% own just 2%, according to the Federal Reserve. According to Forbes, the country’s 650 billionaires collectively [own \\$4.2 trillion](#). That’s 75% more than the [\\$2.4 trillion owned](#) by the bottom half. Moreover, the [400 richest Americans](#) own more wealth than all Black households plus a quarter of Latino households combined.

The estate tax is an important and under-used tool to restrain this growing concentration of wealth and help create an economy that works for all of us. However, the estate tax has been severely weakened in the last 12 years. Since 2009, the amount of an estate’s assets exempt from the tax has risen from \$3.5 million for an individual (\$7 million per joint filer) to [\\$11.7 million](#) (\$23.4 million per joint filer) today. The exemption levels were dramatically raised by the 2017 Trump-GOP tax giveaways, which also reduced the top estate tax rate from 45% to 40%—reducing federal revenues by tens of billions of dollars.

Of the [2.8 million Americans who died](#) in 2018, [only 4,020 or 0.14%](#) left estates large enough to require filing an estate tax return. Furthermore, only 1,900, or .067%, of estates owed any estate tax after allowing for deductions and credits and none of them were small farms and closely held businesses.

The Sanders-Gomez bill would reverse that troubling trend, restoring the already generous exemption amounts in place in 2009 of \$3.5 million per individual (\$7 million for married couples). The Tax Policy Center estimates that in 2022 [just 0.59% of estates would be taxable](#) meaning 99.4% of estates would be exempt from paying a nickel in estate taxes. The act recognizes the broad spectrum of assets in varied estates and thus would tax significantly larger fortunes at higher rates. It would replace the current flat 40% top rate with a progressive scale: the portion of estates worth between \$3.5 million and \$10 million would be taxed at 45%; between \$10 million and \$50 million at 50%; between \$50 million and \$1 billion at 55%; and above \$1 billion at 65%—the top federal estate tax rate [from 1941 to 1976](#).

These are marginal tax rates, or the percent of tax paid on the portion within each tax bracket. The overall tax rate is a blending of the rates levied on each bracket (including zero on the amount under the exemption) and thus would be lower than the top marginal rate paid. For

example, under the current top rate of 40%, the average effective [estate tax rate in 2018 for taxable estates was just 16.5%](#) due to the exemption and blended rates, and that does not reflect the aggressive tax avoidance strategies employed by the ultra-rich.

The Sanders-Gomez bill also would close those aggressive tax avoidance loopholes that currently allow wealthy families to reduce their estate tax liability or avoid the tax altogether. These include intentionally defective grantor trusts (IDGTs), grantor retained annuity trusts (GRATs), “generation-skipping” trusts, as well as lowball appraisals of valuable assets.

The public overwhelmingly favors raising taxes on the wealthy—typically by a [margin of 2 to 1](#). In a Morning Consult/Politico poll from February, 2019 (the most recent we are aware of), [by 50% to 29%](#) the public favored lowering the estate tax exemption level from \$11 million to \$3.5 million; there was more support than opposition even among Republicans. Furthermore, voters opposed eliminating the estate tax by 42% to 33%.

The \$430 billion in new revenue the For the 99.5% Act would raise could help pay for a lot of public services important to those of us not in line to inherit a fortune. That’s far more than the cost of permanently making Affordable Care Act health plans more affordable for [millions of moderate-income people](#) over [ten years](#). It could more than fully fund [special education](#) and [Head Start](#) so that all eligible students were served. It could also make a substantial down payment on President Biden’s proposed infrastructure plan.

Arguments against the estate tax are easily disproved distractions intended to spare the very wealthy from parting with any portion of their immense fortunes. The claim of “double taxation” is largely belied by the fact that big taxable estates consist mostly of [assets that have never been taxed](#). These assets typically have appreciated significantly, providing their owner with “unrealized” capital gains unless they are sold. These unrealized capital gains escape taxation during the owner’s lifetime and simply [disappear for tax purposes](#) after they are inherited by the beneficiary. If not taxed by the estate tax, they would not be taxed at all.

The federal estate tax does not threaten small farms or small businesses, despite relentless claims to the contrary. According to the [Tax Policy Center](#), “small farms and businesses did not owe estate tax in 2018.” In 2017, when the estate tax exemption was \$5.5 million per person, just 80 small farms and closely held businesses paid any tax. Nevertheless, the Sanders-Gomez bill would add extra protections for family farms, allowing them to lower their assessed value on farmland by up to \$3 million, which will exempt even more farms from the tax.

The American ideals of self-reliance and equal opportunity are being undermined by a weak estate tax that helps create and sustain powerful family dynasties that distort politics and policy, threatening our democracy. The Sanders-Gomez bill would strengthen this brake on American aristocracy, narrowing the wealth gap and income inequality and raising much needed revenue for investments that benefit working families. We again urge you to cosponsor and champion this important measure, the For the 99.5% Act.

Sincerely,
List in formation

AFL-CIO
Alliance for Retired Americans
American Family Voices
American Federation of Government Employees
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers
Americans for Tax Fairness
Blue Future
Campaign for America's Future
Center for Biological Diversity
Center for Popular Democracy
Coalition on Human Needs
Communications Workers of America
Daily Kos
First Focus Campaign for Children
Friends Committee on National Legislation
Health Care for America Now (HCAN)
In the Public Interest
Indivisible
Institute for Policy Studies - Program on Inequality
Institute on Taxation and Economic Policy
International Association of Machinists and Aerospace Workers
The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)
Main Street Alliance
MomsRising
National Association of Letter Carriers
National Education Association
National Equality Action Team (NEAT)
National Federation of Federal Employees (NFFE)
National Organization for Women
National Women's Health Network
National Women's Law Center
NETWORK Lobby for Catholic Social Justice
Our Revolution
Oxfam America
Patriotic Millionaires
People's Action
Public Citizen
Responsible Wealth
RESULTS
RootsAction.org
Service Employees International Union (SEIU)
Small Business Majority
Social Security Works

Strong Economy For All Coalition

Take on Wall Street

Tax Justice Network U.S.A.

Tax March

UNITE HERE

United for a Fair Economy

United Steelworkers

Voices for Progress