
Americans for a Fair Estate Tax

*A coalition fighting to preserve
a fair estate tax*

December 8, 2010

Dear Senator:

The undersigned organizations urge you to establish a robust estate tax during the current lame duck session of Congress. Within the next few weeks, the Senate will likely consider an extension of the Bush tax cuts; any package must include the permanent extension of a strong estate tax.

Americans for a Fair Estate Tax (AFET), a coalition of dozens of national and state organizations, has long advocated for a robust estate tax that can provide our nation with the desperately needed revenue to invest in priorities such as education, health and nutrition, and infrastructure.

We are told repeatedly, however, that increased investments in the American people are not affordable because the federal budget deficit is too great. Yet, Congress has sharply decreased an important revenue source that can help fund these priorities and reduce the budget deficit.

The Bush tax cuts enacted in 2001 set in place the gradual reduction and then temporary one-year elimination of the federal estate tax for 2010. Unfortunately, we have already seen the revenue loss resulting from the one-year repeal. In March, an oil and gas businessman in Texas became the first billionaire in United States history to pass along his entire estate – worth some \$9 billion – without paying any federal estate tax.

President Obama recently endorsed a Bush tax cut extension compromise with Republicans that includes a weak estate tax. With a \$5 million exemption for individuals and a \$10 million exemption for couples, and a tax rate of 35 percent, this proposal would severely undermine this fair and important revenue source.

The president originally proposed permanently extending the 2009 estate tax in his budget proposal this year. With a \$3.5 million exemption for individuals and a \$7 million exemption for couples, and a tax rate of 45 percent, this proposal would be more than generous to the wealthiest among us and would not harm small businesses or family farms.

Restoring the estate tax to 2009 levels or stronger would affect only the wealthiest one quarter of one percent of estates and would bring in roughly \$250 billion in revenue over 10 years. The Brookings/Urban Institute Tax Policy Center estimates that in 2009, only 100 small businesses and small farm estates nationwide owed any estate tax, and those paid an average tax of only 14 percent.

Any proposal that grants a higher exemption level or a lower tax rate than existed in 2009 will virtually eliminate the estate tax and cost our nation much more revenue down the road. Moreover, no proposal should provide a prepayment option or include an unlimited farm exemption, both of which would provide an unacceptable loophole and deprive the Treasury of much-needed federal revenue.

We support re-establishing a permanent robust estate tax because it serves these crucial purposes:

- The estate tax raises revenue that our nation needs to invest in the American people. Continued repeal will deepen the budget deficit by roughly \$800 billion between 2012 and 2021.
- Polls show a clear majority of voters want there to be an estate tax, believing that an exemption of between \$2 million and \$3.5 million is fair. Voters continually place the estate tax at the bottom of the list of taxes the government should cut.

- Because the government does not tax assets bequeathed to a charity, the estate tax encourages charitable contributions. This is especially important in light of the current economic downturn in which charities are struggling to continue providing vital community services.
- The estate tax functions as a backstop for the income tax, taxing capital gains that previously have not been taxed. Over half the value of inherited estates is capital gains income that has never been taxed. Most large estates include assets such as real estate, stocks or bonds. Any increase in the value of these assets is capital gain income that would only be subject to the income tax if the assets were sold during the owner's lifetime.

A robust estate tax must fairly tax wealth that might otherwise escape taxation entirely, preserve a system that ensures that the very wealthy pay their fair share, and maintain a structure that encourages charitable giving.

Sincerely,

9to5, National Association of Working Women
 AFL-CIO
 American Association of University Women
 (AAUW)
 American Federation of State, County and
 Municipal Employees (AFSCME)
 American Federation of Teachers
 American Heart Association
 Americans for Democratic Action
 Americans for Responsible Taxes
 Arizona Advocacy Network
 Bread for the World
 Campaign for America's Future
 Citizen Action / Illinois
 Citizen Action of New York
 Citizen Action of Wisconsin
 Citizens for Tax Justice
 Coalition on Human Needs
 Colorado Progressive Coalition
 Communications Workers of America
 Community Action Partnership
 Community Organizations in Action
 Connecticut Citizen Action Group
 Economic Opportunity Institute
 Every Child Matters Education Fund
 Florida Consumer Action Network
 Friends Committee on National Legislation
 Friends of the Earth
 Georgia Rural Urban Summit
 Growth & Justice
 Independent Sector
 Institute for Policy Studies' Program on Inequality
 and the Common Good
 Iowa Citizen Action Network
 Jobs with Justice
 Main Street Alliance
 Maine People's Alliance

Michigan Citizen Action
 Missouri Progressive Vote Coalition
 National Committee for Responsive Philanthropy
 National Community Tax Coalition
 National Education Association
 National Women's Law Center
 NDPeople.org
 NETWORK: A National Catholic Social Justice
 Lobby
 New Hampshire Citizens Alliance
 New Jersey Citizen Action
 Ocean State Action
 OMB Watch
 Oregon Action
 PennAction
 Progress Ohio
 Progressive Maryland
 Progressive States Network
 Responsible Wealth
 RESULTS
 Service Employees International Union (SEIU)
 Sugar Law Center for Economic and Social Justice
 Tax Fairness Oregon
 Tax Justice Network USA
 Tennessee Citizen Action
 U.S. PIRG
 United Action for Idaho
 United for a Fair Economy
 USAction
 Virginia Organizing
 Voices for Progress
 Washington CAN!
 Wealth for the Common Good
 West Virginia Citizen Action Group
 Wider Opportunities for Women
 YWCA USA