

Americans for a Fair Estate Tax
A coalition of nonprofit organizations across the country
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June 17, 2003

Dear Members of Congress:

We are writing to express our strong opposition to passage of the "Death Tax Repeal Permanency Act of 2003" (H.R. 8) which proposes to make the estate tax repeal contained in Public Law 107-16 permanent. Americans for a Fair Estate Tax is a broad based coalition of nonprofits that includes a wide variety of organizations, including arts, environmental, human needs, education, and religious groups – all of whom came together in 2001 to oppose repeal of the estate tax. Please see <http://www.fairestatetax.org> for more information about the coalition and its members. We oppose permanent repeal of the estate tax for four reasons:

- The estate tax is a valuable source of federal and state revenue. With the federal government facing a record \$400 billion deficit caused in part by massive tax cuts; states facing their worst budget crises since WWII (being forced to raise taxes and cut services to balance their budgets); the cost of the war in Iraq and continuing domestic security needs; high unemployment and a still shaky economic climate causing increased domestic needs; and the investment deficit that has been created from years of cutting domestic discretionary spending, the resources that come from an estate tax are especially important. Those resources will remain vital during the coming decade as the nation prepares to meet the challenges of a rapidly aging population, the need for reforms in Medicare, and especially in light of the unprecedented budget deficits that threaten to push our financial burden onto our children.
- The estate tax is an important part of a fair and sensible tax system. Current law taxes only the richest 2% of the population and allows an exemption from taxation of the first \$1 million of an estate. Thus, the estate tax eases the burden on the lower 98% of the population.
- The estate tax serves to reduce large concentrations of wealth across generations and to limit the growth of even greater inequities of wealth that are harmful to a democracy based on the ideal of an equal opportunity to succeed. The estate tax is the only means under our tax system to tax appreciated wealth that passes from generation to generations. Given public concern about the power of money in politics and increasing voter disaffection, we need to strengthen, not further harm, democratic ideals and practices.
- The estate tax is a vital incentive for bequests to that go directly to charities, as well as impacting the creation of foundations that in turn support charities. A forthcoming analysis by the Brookings Institution, authored by economists by Jon Bakija and William Gale, shows that repeal of the estate tax would result in a total loss of \$10 billion in charitable giving each year. The effect of such losses on organizations that receive support from bequests and foundations – everything from soup kitchens to universities – will be devastating. For an analysis of the impact of repeal of the estate tax on charities, see http://www.ombwatch.org/budget/pdf/ESTC_report.pdf.


Making the one-year repeal of the estate tax permanent is the wrong thing to do. It will cause huge losses of revenue, likely at the expense of programs central to investing in our future, including Social Security. Over the next twenty years, the cost of permanent repeal of the estate tax will reach \$1 trillion in lost revenue. The 2001 tax cut law also phases out the state pick-up tax by 2005, eliminating the state revenue that is generated by the federal estate tax, costing the already financially-strapped states billions. To avoid this cost, states would have to pass their own, independent estate tax, creating incentives for people to alter their residence in their final years of life. Repeal of the estate tax will allow unlimited wealth to be passed from generation to generation, thwarting our ideals of the equal opportunity for all citizens to succeed, a core principle in founding our country. Repeal of the estate tax will also likely have a hugely adverse effect on charities that support a range of important services in our communities.

Repeal of the estate tax primarily benefits only the wealthiest 2% of taxpayers at the expense of investments in people and communities and charitable giving. It would represent the loss of our country's most fair tax and the only significant federal tax on wealth. We do support reform to insure that the tax is targeted to the wealthiest among us, and not to family farmers or small businesses. A reasonable reform could put this issue to rest and allow people to plan for their estate without the complexities of phase-ins and phase-outs. Permanent repeal is a huge mistake, for which our children will pay.

We strongly urge you to oppose making the one-year repeal of the estate tax permanent.

Thank you.

Sincerely,

A handwritten signature in black ink that reads "Gary D. Bass". The signature is written in a cursive, flowing style.

Gary Bass
Chair