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Legislative Fact Sheet: The Responsible Estate Tax Act

A century ago this summer, Theodore Roosevelt called upon Congress to address the dangerous concentration of wealth and power by instituting a “graduated inheritance tax.” One hundred years later, members of the U.S. Senate have introduced legislation to establish a progressive estate tax with graduated rates.

In 2001, Congress passed legislation to phase out and eliminate the federal estate tax, our nation’s only tax on inherited wealth. This was a \$319.2 trillion dollar tax break for multi-millionaires and billionaires over the last decade.

Due to Congressional inaction, the estate tax expired at the end of 2009. As a result, a Texas oilman worth \$9 billion was the first billionaire in U.S. history to die without an estate tax in place. The failure to retain any estate tax during 2010 will cost an estimated \$14.8 billion in revenue losses.

The Responsible Estate Tax (S. 3533) was introduced on Thursday, June 24 by Sens. Bernard Sanders (I-VT), Sherrod Brown (D-OH), Tom Harkin (D-Iowa) and Sheldon Whitehouse (D-RI). The features of the legislation include:

- * **Exempts the first \$3.5 million of wealth in an estate from federal taxation (\$7 million for couples)**, the same exemption that existed in 2009. The tax is only paid by multi-millionaires and billionaires, fewer than one in 350 estates.
- * **Institutes a progressive graduated rate structure so that the super wealthy pay more.** As Theodore Roosevelt called for, this legislation has higher graduated rates for larger estates. An estate between \$3.5 million and \$10 million would pay a 45 percent rate, the same as the 2009 level. The rate on the value of estates above \$10 million and below \$50 million would be 50 percent, and the rate on the value of estates above \$50 million would be 55 percent, the top rate in 2000.
- * **Includes a billionaire's surtax of 10 percent.** The bill also imposes a 10 percent surtax on the value of an estate above \$500 million (\$1 billion for couples). According to *Forbes Magazine*, there are only 403 billionaires in the United States with a collective net worth of \$1.3 trillion. Clearly, the heirs to these multi-billion fortunes have a greater capacity to pay than others.

* **Closes all of the Estate and Gift Tax Loopholes requested in President Obama's Fiscal Year 2011 budget.** These loophole closers include requiring consistent valuation for transfer and income tax purposes; a modification of rules on valuation discounts; and a required 10-year minimum term for Grantor Retained Annuity Trusts (GRATS). OMB has estimated that closing these loopholes that benefit the super-wealthy, would raise at least \$23.7 billion in revenue over 10 years.

* **Protects family farmers by allowing them to lower the value of their farmland by up to \$3 million for estate tax purposes.** Under current law, the value of farmland can be reduced up to \$1 million for estate tax purposes under 2032(a) of the Internal Revenue Code (Special Use Valuation). This bill increases this level to \$3 million and indexes it to inflation.

* **Benefits farmers and other landowners by providing estate tax relief for conservation easements.** This bill provides tax relief to farmers and other landowners by amending estate tax rules for conservation easements through an increase in the maximum exclusion amount to \$2 million and increasing the base percentage to 60 percent.

“The really big fortune, the swollen fortune, by the mere fact of its size acquires qualities which differentiate it in kind as well as in degree from what is possessed by men of relatively small means. Therefore, I believe in a graduated income tax on big fortunes, and in another tax which is far more easily collected and far more effective - a graduated inheritance tax on big fortunes, properly safeguarded against evasion and increasing rapidly in amount with the size of the estate.”

--Theodore Roosevelt, “The New Nationalism,” August 1910