

December 17, 2009

Dear Senator,

Given the serious economic problems the country faces today, the Senate's apparent decision to let the federal estate tax expire on Jan. 1, 2010 is incomprehensible.

Unless Congress takes action, the estate tax will disappear in 2010 and then return at higher levels in 2011. The estate tax already has been reduced very significantly since 2001. It currently affects only estates of over \$7 million for a couple, or \$3.5 million for an unmarried individual. Repeal or any weakening of the tax would result in significant loss of revenue for vital public programs and infrastructure, and would benefit only the largest one in 500 estates that are subject to the tax at its current level.

We commend Senate leadership for trying to extend the tax's 2009 parameters beyond the current year in order to prevent the scheduled rollercoaster of the tax over the next two years. However, some Senators have irresponsibly blocked even a temporary extension, paving the way for the tax's expiration after December 31.

This could be especially difficult for heirs of estates with family farms and businesses. Many more heirs of farm and business estates will face tax increases than tax cuts if Congress allows the estate tax to expire in 2010. Very few small businesses and family farms are subject to the estate tax, but many have assets that have appreciated in value, such as their land or business. If the 2009 estate tax rules were extended by Congress, only around 6,000 estates (and only 100 farms and small businesses) nationwide would pay estate taxes each year, according to estimates from the Urban-Brookings Tax Policy Center, and heirs would not owe capital gains taxes on the appreciated value due to the rule of "stepped-up basis". But if Congress allows the 2010 estate tax rules to take effect, the capital gains tax would apply to estates in excess of \$1.3 million and would be calculated on gains accrued since the asset was purchased. Appreciation will be greatest for assets that have been in the family for generations, such as family businesses and farms. It is estimated that in 2010, 61,000 estates will be large enough to potentially face the capital gains taxes if Congress does not extend the rules in effect in 2009.

Furthermore, the estate tax is a strong incentive for charitable giving among our wealthiest citizens. In 2008, the estate tax helped to generate nearly \$22.6 billion in contributions through charitable bequests — 7 percent of total giving to charitable organizations. Another \$32.6 billion in contributions came from philanthropic foundations, many of which were created through bequests. This giving incentive helps to maintain the programs and services that nonprofits provide to make lives better at a time when Americans everywhere are struggling. With no estate tax, charitable giving will decline.

We urge Congress to temporarily extend the estate tax under its 2009 parameters rather than let the tax expire altogether next year. That would allow time to enact a permanent estate tax law in 2010, as part of an overall review of all the expiring tax cuts enacted under President Bush. Such an extension would keep the tax at its lowest level in almost 80 years, prevent the loss of more revenue, encourage charitable giving, and ensure that farms, small businesses, and individuals do not face unpredictable tax rules.

When Congress addresses the estate tax, we encourage you to oppose any measure to reduce the estate tax beyond its already low 2009 level, which would substantially reduce revenues and worsen long-term deficits. A further reduction in the estate tax could deprive the nation of hundreds of billions of dollars in the coming years, at a time

when families are struggling to recover from a deep recession and millions of Americans have lost their jobs and their savings. Millions of middle- and low-income Americans likely would eventually bear a significant share of the costs of reducing the estate tax, in the form of higher taxes and lower government benefits. Millions of ordinary Americans could end up with a lower standard of living so that a few of the nation's wealthiest individuals could escape much or all of the estate tax.

We urge you to vote now to temporarily extend the estate tax under its 2009 parameters rather than allow it to expire altogether next year, as a matter both of fiscal responsibility and proper focus on meeting the country's most urgent needs.

Sincerely,

Alliance for Children and Families  
Alliance for Justice  
American Arts Alliance  
American Association of University Women  
AFL-CIO  
American Federation of State, County and Municipal  
Employees (AFSCME)  
Americans for Democratic Action  
Association of Art Museum Directors  
Campaign for America's Future  
Center on Budget and Policy Priorities  
Child Welfare League of America  
Children's Defense Fund  
Citizens for Tax Justice  
Coalition on Human Needs  
Communications Workers of America (CWA)  
Evangelical Lutheran Church in America, Lutheran  
Office for Governmental Affairs  
Friends of the Earth  
Independent Sector  
Institute for America's Future  
Leadership Conference on Civil Rights  
Institute for Policy Studies, Program on Inequality and  
the CommonGood

League of Women Voters  
Minnesota Council of Nonprofits  
MoveOn.org  
National Committee to Preserve  
Social Security and Medicare  
National Committee for Responsive Philanthropy  
National Council of Nonprofit Associations  
National Priorities Project  
National Women's Law Center  
NETWORK, A National Catholic Social Justice Lobby  
OMB Watch  
Open Society Institute: DC Office  
People for the American Way  
Religious Action Center of Reform Judaism  
Responsible Wealth  
RESULTS  
Taxpayers for Common Sense  
United Church of Christ Justice and Witness Ministries  
United for a Fair Economy  
USAction  
Wealth for the Common Good