

## GOD BLESS THE DEATH TAX

“We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness.” The familiar beginning of our Declaration of Independence. The ideals that set America apart from other countries, and enabled it to become the greatest country in the world. “*All m en are created equal*” has been what America has stood for and fought to preserve.

At birth everyone should be equal to pursue life, liberty, and the pursuit of happiness. At the time Thomas Jefferson wrote the Declaration of Independence this obviously was not the case. Thomas Jefferson had slaves who never had a chance to reach his lofty goals. However, the standard for America was established. A standard far superior than the rest of the world. A standard that would be the goal of the masses.

In the rest of the world men were not born equal. The aristocracy of the old world was the wealthy privileged class, and it controlled the rules and laws of society in order to make the aristocracy a birth right. The aristocracy perpetuated itself at the expense of the masses, the poor, the serfs, the peasants, the minorities, and the slaves. The aristocracy of old controlled the wealth which was usually by land ownership. The land was passed from father to son for generations as dictated by the laws of the day. The birth right of the nobles.

Shortly after Jefferson proclaimed that “all men are created equal” violent bloody revolutions began and continue to this day to make his proclamation a reality. The French Revolution of 1789, the Russian Revolution of 1917, the communist take over of China in 1949. In each of these conflicts from different time periods and geographic locations the aristocratic landowners were driven from power and murdered. Class warfare has not happened in America. However, America did have its own unique problem of inequality, slavery, that required The American Civil War to abolish.

In America a well endowed wealthy class of land owners was established, and naturally it wanted and did pass its wealth on to its descendants. America was blessed with an abundance of natural resources. The people, dynamics of the country, and the industrial revolution enabled the country to use its resources to greatly expand its base of wealth. Land was no longer the sole source of great wealth. Rather, industrial ownership or pure financial assets became the basis of great wealth. In America equal opportunity has been the basis for a mobile, enlightened, and hard working populace, which has been good for America. America has not had the bloody class conflicts of the old world because of its wealth and mobility of society. This has enabled a new upper class to be established in America. The new aristocracy has arrived and is well entrenched. Certainly a person who has worked hard to become a first generation member of the current upper class deserves his place in the new aristocracy. But, what about a second, third, fourth, fifth or further generation member of the American aristocracy who has obtained the position as a birth right?

The American solution to create equal men, and a mobile and enlightened society, has been the death tax. America should be proud of its high estate tax rate, the great preserver of the goal of the fathers of our country that all men should be created equal.

Certainly, there should be debate concerning the particulars of the death tax such as the exemption level, the rate, the marital allowance, gifts, the taxation of a family business, charity donations, trusts, adjustments for inflation, the role of estate taxes as a source of government revenue, and other issues. The fact that parents work hard to make life better for their children has to be balanced by the fundamental principle that in America all men are created equal.

Some Americans want to drastically change this principle upon which our country was founded. In the last few years federal laws have been passed to raise the estate tax exemption and lower the tax rate. Prior to the year 2000 the exemption was \$600,000, and the top tax rate was fifty five percent. The exemption is presently at two million dollars, and is scheduled to increase to 3.5 million dollars in 2009. The top rate has been reduced to forty five percent. There will be no death tax levied on estates of individuals who die in the year 2010. However, in 2011 the estate tax will return to what it was in 2001. The intent of the current law was to have congress write new estate tax legislation before the year 2011. In 2006 both branches of the Republican controlled congress attempted to pass legislation that would permanently abolish the estate tax. The proposal passed in the U.S. House of Representatives, but failed in the Senate due to the minority blocking the legislation by way of a threatened filibuster, which is proper under Senate rules. The majority lacked three votes to beat the threatened filibuster. Another attempt was made by linking together the same estate tax legislation with legislation that would increase the federal minimum wage. The linked legislation passed the House, but could not beat a threatened filibuster in the Senate due to the estate tax provision. Millions of the poorest citizens were denied a pay increase, because of the political power of the wealthiest. Are the wealthy paying their fair share of taxes? Currently the highest tax levied on earned income greatly exceeds the rates on capital gains. Most large estates in this country have accumulated their wealth by way of capital gains, because of the low tax rate on capital gains or because the estate holds assets that have greatly appreciated in value and have never been subjected to any tax. The calculated capital gains at the time of death are not taxed, and the value at the time of death becomes the basis for calculating future capital gains. Under the current system if the value of the estate exceeds the exemption (ie. currently two million dollars) the estate is subject to the estate tax and the untaxed or under taxed capital gains will be subject to the estate tax. With no estate tax the wealthiest who most likely acquired their wealth by means of capital gains escape from paying taxes. The heirs inherit the wealth in its entirety, and thus the American aristocracy is perpetuated at the expense of the average American who is paying his fair share of taxes mainly through income tax and social security tax.

The current estate tax affects less than one percent of the nations families. "In 2004, the latest year for which data are available, just 726 tax returns were filed for estates worth \$20 million or more, and only 520 of them paid any estate tax at all. Those that did paid just 19 percent of their values" (New York Times, June 10, 2006, page B3).

"Repealing the estate tax would lead to a reduction in federal revenues of more than \$700 billion in the first 10 years after it became effective in 2011, according to the Joint Committee on Taxation (New York Times, June 9, 2006, page C2). Is the \$700 billion to be paid by the less wealthy?"

At what level of wealth does one become an American Aristocrat? How many Americans should be Aristocrats? How many heirs should be American Aristocrats? How equal should Americans be at birth? What is the role of the death tax in defining American society, and as a source of federal revenue?

Difficult and controversial questions with many individual answers depending on ones level in society and beliefs. A policy that has to be derived by way of compromise. I feel that the death tax has to play a significant role if the American idea of all men are created equal is to be upheld. The exemption should be high enough so that families are rewarded by their hard work. The exemption should be low enough and the tax rate high enough to eliminate a self perpetuating American Aristocracy based on inheritance. The laws on estate tax should be straight forward, simple, and fair in order for all citizens to feel that they are treated equally and fairly.

I propose that starting in 2010 the exemption for the federal estate tax be \$5 million with adjustments for inflation, and the effective tax rate above the exemption be 65%. This would result in less than one percent of estates being subjected to the estate tax. Most Americans should feel that my proposed exemption is way too high because they will never be an heir of an estate of \$5 million. On the other hand parents will know that they have the potential to leave their children comfortable up to the first \$5 million without the government interfering. Successive heirs of very large estates would see their assets reduced by the effective 65% tax rate above the \$5 million exemption level, but they would still be much better off than most.

The super rich were defined in the above cited New York Times article as having estates worth at least \$20 million. Under my proposals it may take three to four generations to reduce the assets of the largest estates to \$20 million assuming the assets remain static. The average citizen should feel that my proposed tax rate is too low.

My estate tax proposals are compromises. I have risen the exemption level higher than the historical or recent levels. My tax rate reverses its recent decrease, and places it at a level higher than the historical level. My estate tax proposals definitely come up short of my stated goal of all men being created equal. By raising the exemption level more estates will be able to pass their assets in total to the heirs. By raising the tax rate society will maintain a better balance and stability. All men will not be created equal, but the spread at birth will be reduced, and hopefully perceived opportunity will be optimistic.

What can you do as an individual to maintain the basis of our country's founding. The most important action that you can take is through voting for congressmen and senators, and by letting them know how you feel concerning estate taxes. The different sides concerning the death tax can be identified by their political party affiliation. Generally, the Republicans want to abolish the estate tax in its entirety, and the Democrats want to maintain some form of estate tax. This issue should be heavily considered when you vote. Vote for the Democratic candidate on this issue if you can say, "***God Bless The Death Tax***".

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