



AMERICANS
for TAX REFORM

November 30, 2009

The Honorable Tom Price
Chairman, Republican Study Committee
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Price:

This week, the U.S. House of Representatives is scheduled to vote on H.R. 4154, a bill which would create a permanent death tax structure with a top rate of 45 percent and an exemption level of \$3.5 million.

H.R. 4154 is a tragic departure from years of Congressional intent to kill the death tax. Rather than bury the death tax in a mere 31 days (as is called for under current law), this bill would create a new 45 percent rate in 2010 and into the future.

H.R. 4154 fails to index the death tax for inflation. By setting the exemption at the 2009 level of \$3.5 million and failing to index to CPI, more and more households, small businesses, and family farms will find themselves with a death tax liability. The same is true of the death tax brackets—the top rate will apply to taxable estate sizes over \$1.5 million. Assuming historical inflation, these death tax levels will be cut in half in real terms with every passing generation (20 to 25 years). This “death tax generational bracket creep” harkens back to the stagflation and savings erosion of the 1970s.

H.R. 4154 would leave the United States with the third-highest death tax rate in the developed world. According to a 2007 study by the American Council for Capital Formation, only South Korea and Japan would have a higher top death tax rate than the U.S. In fact, half of the developed countries in their survey have no death tax whatsoever. In a world of increasingly-mobile capital, having one of the highest death tax rates in the world simply makes no sense.

H.R. 4154 would leave in place the most unpopular tax among U.S. voters. Polls consistently have shown for nearly two decades that between 67 and 75 percent of likely voters favor full and permanent repeal of the death tax. This is remarkable considering that only a small percentage of estates will ever be liable for the tax. Any Congressman voting for H.R. 4154 would find themselves in a decided minority.

Americans for Tax Reform remains committed to fully and permanently repealing the death tax. We stand willing to support legislation which does so.

Sincerely,

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