FOR THE 99.5% ACT

Summary of Gomez-Sanders legislation to tax the fortunes of the top 0.5%

The most important economic reality of our time is that over the past 40 years there has been an enormous transfer of wealth from the middle class to the wealthiest people in America.

In America today, the top one-tenth of one percent owns almost as much wealth as the bottom 90 percent. The 50 wealthiest people in this country own more wealth than the bottom half of Americans — 165 million people. Meanwhile, the median household in America has less wealth today than it did 35 years ago after adjusting for inflation, and the average wealth of those in the bottom 40 percent is virtually zero. While low-income workers at Walmart are forced to rely on food stamps, Medicaid and public housing to survive, the Walton family is now worth over $220 billion.

More than a century ago, Republican President Theodore Roosevelt fought for the creation of a progressive estate tax to reduce the enormous concentration of wealth that existed during the Gilded Age.

As Teddy Roosevelt said, "The absence of effective state, and, especially, national restraint upon unfair money-getting has tended to create a small class of enormously wealthy and economically powerful men, whose chief object is to hold and increase their power. The prime need is to change the conditions which enable these men to accumulate power … Therefore, I believe in a … graduated inheritance tax on big fortunes, properly safeguarded against evasion and increasing rapidly in amount with the size of the estate."

While Roosevelt spoke those words on August 31, 1910, they are even more relevant today.

From a moral, economic, and political perspective our nation will not thrive when so few have so much and so many have so little. We need a tax system which asks the billionaire class to pay its fair share of taxes and which reduces the obscene level of wealth inequality in America.

The fairest way to reduce wealth inequality, invest in the disappearing middle class, and preserve our democracy is to enact a progressive estate tax on the inherited wealth of multi-millionaires and billionaires.

That is why Senator Sanders is introducing legislation to establish a progressive estate tax on the fortunes of the top 0.5 percent. Instead of an America for the wealthy and the powerful, we need to create an economy that works for the 99.5 percent.

This legislation:

- **Exempts the first $3.5 million of an individual's estate from the estate tax.**
  This plan would only impact the wealthiest 0.5 percent of Americans who inherit more than $3.5 million ($7 million for married couples). 99.5 percent of Americans would not see their taxes go up by one penny under this plan.

- **Establishes a new progressive estate tax rate structure as follows:**
  - 45 percent on the value of an estate between $3.5 million and $10 million.

  - 50 percent for the value of an estate between $10 million and $50 million.
  - 55 percent for the value of an estate in excess of $50 million.
  - 65 percent for the value of an estate in excess of $1 billion.

- **Ends tax breaks for dynasty trusts.** Billionaires like Sheldon Adelson and the Walton family, who own the majority of Walmart's stock, have for decades manipulated the rules for trusts to pass fortunes from one generation to the next without paying estate or gift taxes. This bill would:

  - Strengthen the "generation-skipping tax," which is designed to prevent avoidance of estate and gift taxes, by applying it with no exclusion to any trust set up to last more than 50 years.

  - Prevent abuses of grantor retained annuity trusts (GRATs) by barring donors from taking assets back from these trusts just a couple of years after establishing them to avoid gift taxes (while earnings on the assets are left to heirs tax-free). The lawyer who invented this technique for the Walton's claims it has cost the Treasury $100 billion since 2000.

  - Prevent wealthy families from avoiding gifts taxes by paying income taxes on earnings generated by assets in "grantor trusts."

  - Sharply limit the annual exclusion from the gift tax (which was meant to shield the normal giving done around holidays and birthdays from tax and recordkeeping requirements) for gifts made to trusts.

- **Closes other loopholes in the estate and gift tax.** One of these loopholes involves "valuation discounts," restrictions placed on interests in family businesses which are claimed, falsely, to reduce the value of the estate. Another loophole involves claiming that the value of an inherited asset is lower, for estate tax purposes, than what is claimed for income tax purposes to calculate gains when the asset is sold.

- **Protects farm land and conservation easements.** The bill would protect family farmers by allowing them to lower the value of their farmland by up to $3 million for estate tax purposes. The bill also would increase the maximum exclusion for conservation easements to $2 million.

  Under this legislation, the families of all 657 billionaires in America who have a combined net worth of over $4.26 trillion would owe up to $2.7 trillion in estate taxes.