Re: how to compare living standards

Source: http://sci.tech−archive.net/Archive/sci.econ/2006−04/msg00220.html

- *From*: William F Hummel <wfhummel@xxxxxxxxxxx>
- *Date*: Tue, 18 Apr 2006 12:18:20 −0700

On Tue, 18 Apr 2006 13:30:07 −0500, "Jim Blair" <jeb@xxxxxxxx> wrote:

> "William F Hummel" <wfhummel@xxxxxxxxxxx> wrote in message
>
> > > The lowest marginal rate on the unified
> > > estate and gift tax is 18% on
> > > the first $10,000 above the exemption limit.
> > > The highest marginal
> > > rate is 47% on the amount exceeding $2
> > > million. The tax on an estate
> > > worth $100 million would be $46.4 million,
> > > but I suspect few actually
> > > pay that large a tax because of the various
> > > options available such as
> > > prior provisions for foundations, charitable
> > > gifts, etc. largesse.
>
> Comment on this from Grinch to sci.econ Tue, 29 Oct 2002:
>
> A very interesting fact about the estate tax is that the rate of tax
> paid goes *down* for the wealthiest estates.
>
> Taking a quick look at the IRS Statistics of Income at www.irs.gov,
> for the most recent year readily available, the overall effective tax
> rate for the total >$20 million group was 14.6% −− the *lowest* rate
> for any group with assets over $2.5 million (which is about where the
> tax becomes meaningful for a married couple)
>
> And in there were 88 estates with assets totaling $4.6 billion that
> paid a grand combined total estate tax of zero dollars ($0).
>
> So we can see that the estate tax is no threat to the Kennedys (or
> Buffets or Gateses) or other billionaires who publicly sign on in
> support of it.

This is misleading. The very wealthy create foundations or other non−taxed vehicles _before they die_ in order to select the beneficiaries themselves rather than making Uncle Sam and thus the general taxpayer the beneficiary. The value of the estate itself is greatly reduced on death and is therefore not subject to the high marginal rates. I think that is all that Grinch was really observing.
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