Don Alexander — A Great American

To the Editor:

It was about 15 years ago, as I remember it. I was on my way to a Federal Bar Association meeting to cover some panels for Tax Analysts’ readers. I was then the obscure — at least to my thinking — editor of Tax Notes. As I entered the reception area, a voice hailed in a familiar twang, “Chris Bergin, a great American!” Because the source of the hail was Don Alexander, everyone turned to see the person he would single out for such praise. He instantly turned me into a VIP.

He didn’t have to do that. But Don was always generous.

Over the years, our paths crossed many times. He would always take the time to talk; he always had a kind word; he would always encourage me to keep up the good fight for sound tax administration. And he always had that twinkle in his eye. It made my day to see Don Alexander.

I respected him; I admired him; and, yes, I loved him. All of us at Tax Analysts did. I was proud to consider myself a friend of Don Alexander.

I will cherish the memories I have of this wonderful man. He loved his country and served it well. He truly was a Great American.

Thanks for everything, Don. When I think of you — and it will be often — the word “hero” will always be in my mind.

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Writer Questions Premise of Batchelder’s Estate Tax Article

To the Editor:

In “Estate Tax Reform: Issues and Options” Tax Notes, Feb. 2, 2009, p. 633, Doc 2008-27081, 2009 TNT 20-47, Prof. Batchelder implies that somewhere in the law there is support for the theory that we should have an estate or inheritance tax for the purpose of affecting “intergenerational transmission of wealth.” I must have missed that when I read the law, and it must have been missed by Congress when they repealed the estate tax several years ago, even if the repeal never comes to pass.

The article states that the federal tax system taxes “inheritances much more lightly than income from work and savings” (p. 636). If the maximum income tax on wages is 35 percent, the tax on interest is 35 percent and the tax on dividends 15 percent, how is a 45 percent estate tax lower? In addition to the rate there is also a problem with “taxable” amount. If someone buys $1 million of stock and sells it for $2 million, the income tax will be either $150,000 or up to $350,000, depending on the holding period. If that same person dies when the stock is worth $2 million, the estate tax will be $900,000 ($2 million times 45 percent) unless they give it to charity or to their spouse or they don’t have enough assets to have a taxable estate. Isn’t $900,000 more then either $150,000 or $350,000?

Failing to tax large transfers, according to Batchelder, “privileges heirs over those who are self-made, and perpetuates the remnants of a class structure based on the circumstances of one’s birth.” That just isn’t the case. It privileges heirs over non-heirs, whether they are self-made or not. But, how does it hurt anyone? Did inheritances by the rich prevent a student from founding Microsoft or stop HP or Apple or Dell from becoming successful? How does someone inheriting money prevent others from not becoming rich? So, unless the proposal is to take the estate taxes and put it in a lockbox for some sort of loan or grant program geared exclusively to future “self-made” people, I don’t get it. Even then, it is not clear how we could determine who to fund to become self-made millionaires.

Neither the old rich nor the new rich prevent the rest of us from achieving success and taxing those who have been successful when they die does nothing to achieve equity or equality; it simply makes some “privileged” people less privileged (as if achieving wealth is a bad thing). It is just not clear how if Bobby inherits $1 billion from mom and dad instead of $2 billion because they paid the estate tax, how the goal of intergenerational economic mobility is achieved. It doesn’t seem that Bobby — and probably Bobby’s great-grandchildren — will be forced to curtail their vacations or sell their sports cars and take the bus. Think they will be flying coach with only half the family wealth?

The estate tax is just another tax. Someone has to pay for government, and it is one way to do it. But, to try to justify it as a way to achieve parity between the rich and poor or as a way to make it easier for the poor to become rich is really hard to follow and probably not a universally accepted theory in a country that voted a few years ago to repeal the tax.

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