

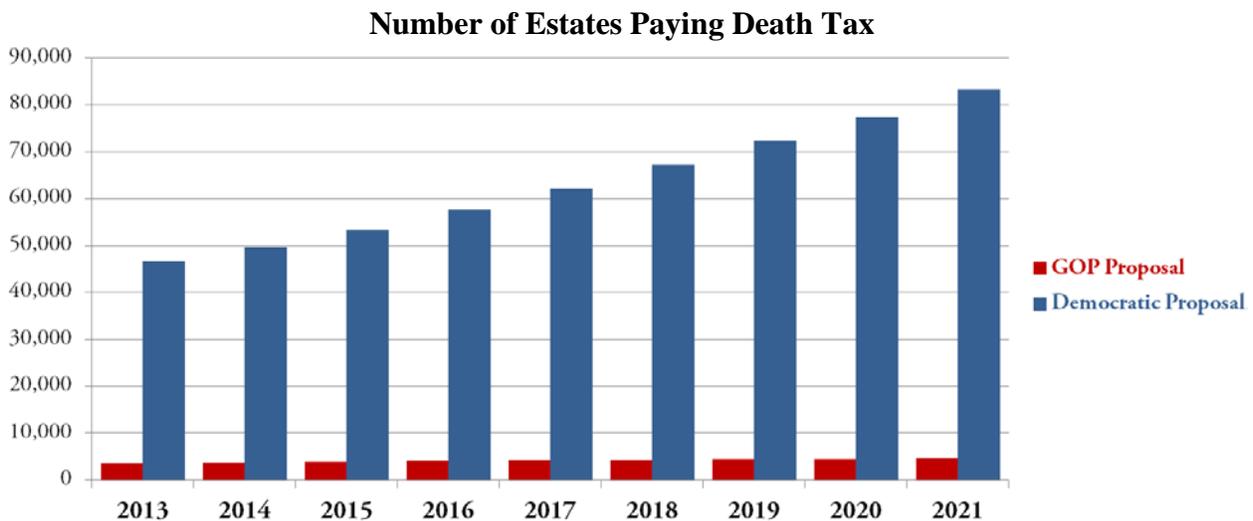


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## Democrats Bring Back Death Tax: Small Businesses and Family Farms Crushed

Senate Democrats have put forward a reckless tax bill that fails to address the crushing death tax that would hit small businesses and family farms across America. The Senate is considering competing tax policies -- the Republican and Democratic bills differ slightly on revenue but greatly on policy. Republicans are seeking to keep tax rates stable, while Democrats are looking to raise taxes. But the position of Senate Democrats on the death tax goes too far. It means the death tax would return next year to 1990s levels, hitting estates of more than \$1 million with a top rate of 55 percent.

This is a double whammy for small businesses and family farms. In addition to raising income taxes on small businesses, Democrats also want to bring the death tax back to levels that will make it much more difficult to keep family businesses intact when the owner dies.



### Death Tax Puts Family Businesses at Risk

Family businesses can be destroyed by the death tax, and not just new or unprofitable businesses. One former small business owner [testified](#) that he had to sell his family fishing business because of the death tax. The business was started in 1920 and in its last years had annual sales of \$50

million. The death tax led to the sale of the business, and the new owners moved it out of state within five years.

By increasing the death tax from a top rate of 35 percent with a \$5.1 million exemption to 55 percent with a \$1 million exemption, the bill presented by Senate Democrats [will mean](#):

- 20 times more farms hit by the death tax (24,200 more farms);
- 9 times more small businesses hit by the death tax (21,700 more small businesses);
- 12 times more estates of all types hit by the death tax (78,600 more estates).

### **Family Farms Hit Hard**

The family farm is particularly affected by the death tax. The fact that land values increased by 25 percent from 2010 to 2011 helps explain why there is a 20-fold increase in farms that will have to pay the death tax if the Democrats get their way.

The primary burden of the death tax's impact on farms will be borne by families, since [98 percent](#) of U.S. farms are owned by families or individuals. These families will struggle to pay the death tax, as 85 percent of farm assets are tied up in illiquid assets such as land, buildings and equipment. With so much of the estate's value tied up in these assets, the family often has no choice but to sell all or a portion of a family farm in order to pay the death tax.

### **Democrats Should Extend the 2010 Estate Tax Compromise**

The bipartisan compromise passed in December 2010 included a \$5 million exemption indexed for inflation and a 35 percent top rate. Forty-four Senate Democrats [voted for](#) this compromise. Senate Democrats' decision to end this compromise would cause the number of estates paying the death tax to skyrocket.

Senate Democrats should not raise the death tax that destroys family farms, family businesses, and the jobs they create.