



Overview

When the owner of a company dies, the value of the company is added to the owner's estate and is taxed after exemptions. The estate tax, also known as the "death tax" places a significant burden on future generations of family business owners, their employees, customers and suppliers.

Small, family-owned businesses are particularly hard hit by the death tax burden, since the value of these businesses is not in liquid assets.

Due in large part to the death tax, more than 70 percent of family businesses do not survive the second generation, and 87 percent fail to make the third generation.

Studies indicate that the average family business spends nearly \$20,000 in legal fees, \$12,000 for accounting, and an additional \$11,200 for other advisors in preparation of death taxes.

The estate tax constitutes slightly more than 1 percent of federal revenue—and is most likely revenue-neutral when the full impact of closing a business is considered. At roughly 1 percent of annual federal revenue, the death tax is hardly worth the devastation it causes to family owned construction businesses.

Former President Bush signed into law a temporary repeal of the estate tax as part of the administration's \$1.3 trillion tax relief package, the *Economic Growth and Tax Relief Reconciliation Act of 2001*. The temporary repeal of the estate tax expired on December 31, 2009. Unless Congress acts, the death tax will return at its highest taxable rate in 2011 at 55 percent and a \$1 million exemption.

Family-owned businesses are the backbone of our economy and give Americans a sense of pride and accomplishment in our country. In the construction industry, they provide valuable jobs and play an integral role in building communities. FEA believes that these businesses are worth preserving for the next generation.

The Free Enterprise Alliance Supports

- Permanent repeal of the estate tax.

The Free Enterprise Alliance Opposes

- Pre-2001 rates, 55 percent and a \$1 million exemption.
- Any estate tax legislation that is not indexed for inflation.