Sen. John Barrasso (R., Wy.) Discusses Estate Tax Issues on Senate Floor
Thursday, December 6, 2012

From the Congressional Record

www.FarmPolicy.com

Let's take a look at the death tax. Today this tax, also known as the estate tax, is set up at a top rate of 35 percent, with an exception for the first $5.1 million in the estate's value. Well, those are the levels that Congress set and the President agreed to in 2010. There was a Republican House of Representatives, a Democratic Senate, as well as a Democratic President in the White House. That was in 2010. Those levels are now set to jump dramatically to a top rate of 55 percent, with an exemption for just the first $1 million. Now, $1 million sounds like a lot of money until we start looking at a situation of family-owned businesses and family farms. For instance, farmers and ranchers have a lot of assets, such as land, buildings, and livestock. Those things are worth a lot of money for the purposes of calculating the value of someone's estate, but they are not liquid assets—they cannot just spend a tractor.

Once a mom or dad dies in the farm family, the IRS wants the death tax paid within 9 months. The tax is calculated on those big valuations for the farm or ranch property and has to be paid in cash. Often, the only way for a family to pay the tax is to start selling off parts of the farm. Families who have farmed for generations are forced to make life-changing decisions regarding their future, and they have to do it very quickly. They may have to sell land or livestock at a time when prices are low because the tax bill is due immediately. If we don't act in Congress, this tax is going to hit more family farms, and it will hit them much harder, taking a much larger portion of the farm just to pay the taxes.

When we take a look at this chart, talk about crushed by the death tax in terms of the number of small businesses and the number of family farms that will be hit under the estate tax in 2012 as opposed to what is going to hap- pen in 2013, it is a huge increase in 2013 as they find a different way to calculate the death tax, and the same is true with family farms. So the number of family farms that will be hit by this death tax will jump from just under 100—the current limits—to about 2,400 farms next year. That is an enormous increase and an enormous burden on those farm families.

The same thing holds true for other small family businesses, such as the local restaurant, the grocery on the corner, or the local auto body shop. Again, these are small businesses that may have assets that are worth a lot but are not easily turned into cash to pay a tax bill.

Where I live in Casper, WY, most of the businesses we have are small businesses, such as the drycleaner, the florist, the car wash. A lot of those small businesses are run by families. Maybe it has been in the family for a couple of generations, and they want to pass their business down to the next generation, but when Washington comes look- ing to take its 55-percent cut, which is what is going to happen on January 1, that business will be forced to sell off assets or maybe just sell out entirely.

When we look at the chart again, we can see that under the limits we negotiated in 2010, just 200 small business estates are hurt by the death tax. Starting next year, it jumps to about 2,700 small businesses. Just like with family farms, we are not talking about big, faceless corporations. We are not talking about what happens when the founders of Walmart die. We are talking about what happens when the owner of a small family business dies. If these death tax increases go into effect, a lot of the sons and daughters are not going to be able to keep the family business their parents worked so hard to build and pass along. Democrats and Republicans agree this would be a terrible blow to a family farm or to a small family business.

There is so much we talk about when it comes to uncertainty, and just the uncertainty about what is going to happen next year under the death tax is very stressful for many families across the country who are running their own small businesses and their own small farms or ranches. At the very least, we should extend the current limits worked out in the 2010 compromise. President Obama should not be holding up that commonsense solution so he can satisfy his left-based agenda for unrealistically insisting on raising tax rates.