

## **By any Name, It's Still a Tax on Death**

Most will recognize Ben Franklin's 18<sup>th</sup> century observation regarding certainty. He said, "In this world nothing is certain but death and taxes." I believe Franklin would be offended to find that the federal government found a way to combine the 'certainties' of life that provides additional pain for Americans.

The estate tax, initiated in 1916, was to raise revenue for the war effort. Like most of government's short term taxes, it became embedded in the U.S. tax code. Continued imposition of the appropriately dubbed "Death Tax," was an effort to prevent further concentration of U.S. wealth by the already rich. It hasn't worked! Our extremely wealthy citizens have the resources to employ armies of lawyers and accountants to make sure their estates are protected and their assets sheltered. Today's death tax imposes an undue and unfair burden on families, entrepreneurs, farmers and ranchers.

The death tax is only a small part of government revenue – about one percent. It's estimated it takes up to two-thirds of that revenue to enforce the law.

This tax can destroy family owned farms and ranches. Most farmers and ranchers are land rich but cash poor. They have their worth tied up in land, equipment, buildings, livestock, trees and property improvements. Often times these farms and ranches are passed down from generation to generation. These families worked hard, created jobs, took risks, achieved success and yes, paid taxes along the way.

Some have suggested that the current \$2 million level of exemption keeps family farmers, ranchers and businesses from being hurt or over burdened. Three years ago, a New York Times article stated that the American Farm Bureau *could not cite a single family farm lost because of the estate tax* was wrong. Farm Bureau, out of respect for families dealing with the difficult impacts of the death tax, declined to provide names. Today, families across this county are sharing their stories as Congress debates repeal.

As a graduate student at Utah State University, I conducted research on the impact of inheritance taxes on intergenerational transfer of Utah farms and ranches. My research indicated that the most widely used way of paying the death tax burden was liquidation of land and other real property. Seventy percent of the study group – family farms and ranches – sold off land to meet their death tax obligation. Little has changed. Utah families continue to be hurt selling all or part of their farms and ranches for taxes.

Agriculture's future is at stake in this debate. As one of the fastest growing states in the nation, property values are escalating. With over 75 percent of Utah owned by government, our limited private lands and fast-paced development are pushing farmland values higher and higher. Salt Lake County's remaining farmlands are being valued as high as \$375,000 per acre. Similarly, northern Utah County farmland is hitting \$350,000 - \$400,000 per acre. An average-sized family farm quickly eclipses the death tax exemption – land rich, cash poor.

The death tax hurts the economy and the environment. Costly estate planning pulls financial resources for attorneys, accountants and insurance that could be used to operate or expand businesses. It impedes the competitiveness of our economy as families must assume new mortgage obligations or sell land to meet IRS demands. Farmland sold off to pay death taxes hurts our quality of life – open spaces, fresh farm products and wildlife habitat.

Fifty-seven United States Senators, including Utah's Orrin Hatch and Robert Bennett, joined with Farm Bureau in trying to kill the death tax. Aren't volatile market prices and unpredictable weather enough for family farmers and ranchers to deal with without the burden of rising land prices at death?

### **About the Utah Farm Bureau**

The Utah Farm Bureau is the largest general farm and ranch organization in the state with more than 21,000 member families. Its mission is to improve the net income of the state's farmers and ranchers and the overall quality of life in the state and nation through political action, educational and informational means. The Farm Bureau is a non-partisan, voluntary organization, and its efforts are based on grassroots policies developed by members at the local, county, state and national levels. It is affiliated with the American Farm Bureau Federation, the world's largest general farm organization, with more than 6 million family members in 50 states and Puerto Rico. For more information, go to the Utah Farm Bureau Web site at <http://utfb.fb.org>.