



Serving the Vending and Refreshment Services Industry

## Permanent Estate Tax Repeal

### ISSUE:

Current federal tax law allows an estate tax to apply to property transferred at death if the value of the property exceeds the estate tax exemption. The cost of the estate tax comes from both paying the tax *and* from estate planning. In the case of family-owned businesses, much of a business' value is tied to assets such as land, buildings and equipment. When a business owner dies, the new owner (which is likely a family member of the deceased owner) is often forced to sell the business or its assets to pay the tax. Protecting family businesses from the estate tax is important in order to keep these businesses operating for future generations. As the voice of the refreshment services industry that encompasses a large segment of America's family-owned businesses, NAMA understands the issues surrounding permanent repeal of the estate tax from the federal tax code.

For many family-owned businesses to keep operating after the death of the owner, families must plan for the estate tax. Planning costs associated with the estate tax are a drain on business resources, taking money away from day to day operations and business investment. These additional costs make it more difficult for the business owner to expand and create jobs.

The American Taxpayer Relief Act of 2012 was a bipartisan tax compromise package passed in 2012, and included estate tax relief provisions for family-owned businesses, such as:

- A maximum estate tax rate of 40 percent, effective January 1, 2013;
- Permanently maintains the \$5 million exemption amount, indexed to inflation;
- Permanently unifies estate and gift taxation, and established a single graduated rate schedule;
- Permanently allows couples to transfer any unused exemption to the surviving spouse under simplified rules; and
- Removed harmful offsets by preserving valuation discounts, grantor-retained annuity trusts (GRATs) and state estate tax deductibility.

Unfortunately, the aforementioned benefits provide only partial relief, as the Act does not adequately address or remove the estate tax, which is most harmful to family-owned businesses. Two bills have been introduced during the 114th Congress that would repeal the estate (and generation-skipping transfer) tax: S. 860 (Senate) and H.R. 1105 (House). If passed, these bills would resolve this expensive tax burdens for countless Americans who wish to pass on valuable and solvent businesses to future generations.

### NAMA POSITION:

NAMA supports the efforts by Congress (particularly regarding S. 860 and H.R. 1105) to fully repeal the estate tax because it:

- Unduly burdens small and family-owned businesses and hinders succession planning;
- Denigrates entrepreneurial incentives to invest, save, and create jobs;
- Harms families that have their savings tied up in land and other hard-to-sell assets attached to businesses.