

## **Estate Tax: An Onerous Burden for Family Farms and Ranches**

*By John Hart*

Ask farmers or ranchers to tell you the greatest joys of their chosen calling and being close to the land, knowing that their work makes a difference and experiencing the fruits of their labor at harvest will all top the list. But the greatest joy may well be the assurance that their farming and ranching operation will be preserved for future generations.

Unfortunately, the federal estate tax does much to steal the joy of keeping the farm in the family. Estate taxes are especially harmful to farmers and ranchers because their businesses are capital-intensive with a high concentration of assets tied up in land, buildings and equipment.

Estate taxes tend to be more onerous for farms than other small businesses because 80 percent of farm and ranch assets are land-based. When estate taxes exceed cash and other liquid assets on hand, surviving family members may be forced to sell land, buildings or equipment needed to keep the business operating. This has a multiplier effect because rural communities and the businesses they support also suffer when farms and ranches downsize or disappear.

Moreover, farmland close to urban centers is often lost forever to development when estate taxes force farm families to sell off land to pay taxes.

On Jan. 1, the estate tax expired for one year and one year only. On Jan. 1, 2011, unless Congress acts, the estate tax will return with a vengeance and will carry an exceedingly low \$1 million exemption; anything above \$1 million will be taxed at 55 percent. This will harm most family farming and ranching operations. There's a joke going around that if you want to avoid the "death tax," you better get your dying done before midnight on Dec. 31.

The talk on Capitol Hill is that the Senate will take action on estate tax reform early this year. Before going home for the Christmas recess, the House passed a permanent extension of the estate tax at 2009 rates, which carries a \$3.5 million exemption for individuals and \$7 million for couples, while taxing the rest of the value of the estate at 45 percent. But the Senate, bogged down by the health care bill, failed to take any action on estate tax legislation as it wrapped up its business in 2009.

Farm Bureau backs permanent repeal of federal estate taxes. Until permanent repeal is achieved, Farm Bureau calls for an exemption of \$10 million per person, indexed for inflation. The \$10 million exemption may sound high, but it really isn't when you factor in land costs and other variables, particularly for farms in areas where land values are high.

There are many reasons why the estate tax is unfair. It amounts to double taxation, because the income is taxed first when it is earned and again when it is transferred to heirs. Eliminating the estate tax will encourage farmers and ranchers to keep the businesses in the family.

By eliminating the estate tax, farm families will have the certitude that their operations will remain in the family, continuing the mission of providing food, fuel or fiber for America and the world. It would be a travesty if the next generation was forced to abandon the farm, just to pay the taxes.