

Renew the American Dream with Estate Tax Reform
By John Hart

Most Americans are taught from their youngest days that hard work and good planning increase the likelihood of a bright and prosperous future. In many ways, this is the American ethos—a key to the American dream.

Another distinctly American wish is for the next generation to experience a better life than the current. All parents want their children to do better than they did, and this hope is even greater for their grandchildren. Throughout our nation's history this hope has held true.

For farmers, ranchers and other small business owners, the expectation is that their heirs will be able to remain in the family business and carry on. This is as true for the owner of an Iowa farm or a California ranch as it is for the owner of a Brooklyn deli. However, that shared dream is threatened by estate tax provisions that take effect on Jan. 1. On that date, the estate tax returns with a vengeance.

Unless Congress acts this year, the federal estate tax rate beginning in 2011 will be 55 percent on all assets exceeding \$1 million. This onerous rate will hit even the smallest farm and smallest pizza shop. The estate tax burden is particularly heavy on farmers because agriculture requires a large amount of capital assets, such as land and equipment, to generate the same dollar in income that another type of business could generate with less.

With this low \$1 million exemption, as many as 10 percent of farms and ranches could owe estate taxes next year, according to the Agriculture Department. In comparison, only about 1.5 percent of farms had to pay the tax in 2009, when the exemption was \$3.5 million.

When estate taxes are due, surviving family members without enough cash on hand may be forced to sell land, buildings or equipment they need to keep their operations going, just to pay the tax bill. Rural communities and businesses suffer when farms and ranches are dismantled and farmland is sold. When that occurs near urban centers farmland is often lost forever to development.

A higher exemption and a lower rate will give farmers and ranchers a better opportunity to transfer their family-owned businesses to the next generation. Farm Bureau is now calling on Congress to support a bipartisan amendment to H.R. 5297 that has been introduced by Sens. Blanche Lincoln (D-Ark.) and Jon Kyl (R-Ariz.). The amendment provides estate tax relief by increasing the exemption level to \$5 million, adjusting it for inflation and reducing the maximum rate to 35 percent.

Taking such action is fair and right. It will be one way Congress can show it still believes in the American dream and that it truly values small business, including families who farm and ranch. Congress can send a message that hard work is still rewarded in the United States. Estate tax relief will give future generations hope they can maintain the family legacy and keep the farm.

Most importantly, estate tax relief will keep alive the American dream; if you work hard and plan ahead, you can pass the fruits of your labor to your children and grandchildren. By supporting estate tax relief as included in the Lincoln/Kyl amendment, members of Congress can help preserve that distinctly American vision.