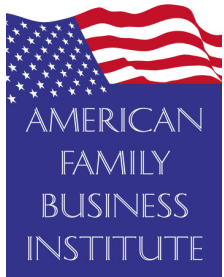


One-Page Policy Brief



Impact of the Estate Tax on Small Business

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Some news commentators and politicians claim that there is no evidence that small businesses are hurt by the estate tax. They say that no small business is large enough to exceed the 2009 estate tax exemption of \$3.5 million (\$7 million per couple). A quick review of the facts shows that this claim is clearly false.

1. Economist Antony Davies found that 8,500 households will pay the estate tax in 2011, when the exemption is set at \$5 million. Roughly two-thirds of estates susceptible to the estate tax will include farm and small business assets.ⁱ
2. The standard small business definition is 500 employees, though some small businesses can be as large as \$175 million in gross assets and have over 1,500 employees, according to the Small Business Administration.ⁱⁱ Clearly, it is not difficult for a small business to hold assets that place it above the 2009 estate tax exemption.
3. 115,000 businesses (many of which fall into the small business category) paid the estate tax between 1996 and 2005. The nonpartisan Congressional Joint Economic Committee reported that over the ten-year period, the estate tax was paid by more than 37,000 "closely-held businesses," 50,000 limited-partnerships and nearly 28,000 "other" non-corporate businesses, such as sole proprietorships.ⁱⁱⁱ
4. Dozens of stories describe how family businesses are often forced to sell assets, misallocate capital to tax planning, and sometimes sell the entire business due to estate tax liabilities. Victor Mavar of Biloxi, MS sold his entire company due to impending estate tax bills. Helen Wisotski's family had to close their business, costing the jobs of 220 workers, because of the cost of estate tax planning and life-insurance drained too much capital from the company. You can read death tax horror stories at: www.nodeathtax.org/resources/testimonies.

Conclusion: The raw data, economic research, and examples presented here make it clear that small businesses are vulnerable to the death tax and often harmed by death tax liabilities.

Citations on reverse

Citations

ⁱ Antony Davies, “The Cost of Compromise: Impact of the 2011-2012 Estate Tax,” December, 2010, http://www.nodeathtax.org/uploads/view/2325/cost_of_compromise.pdf_%22.

ⁱⁱ Table of Small Business Size Standards, U.S. Small Business Administration, August, 2008, http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_sstd_tablepdf.pdf.

ⁱⁱⁱ “Cost and Consequences of the Federal Estate Tax,” Joint Economic Committee, May 2006, http://www.nodeathtax.org/uploads/view/837/jec_report_2006.pdf.