

# **New Orleans City Business**

## **Commentary: Death tax considered a killer for family businesses**

March 26th, 2010

Dickie Brennan

Coming from a family of restaurateurs, it's been a thrill to help build our restaurants into Crescent City institutions. Federal tax policy, however, specifically the "death tax," could stop that growth.

Why pour more money and sweat into a business if the government will take most of it away when we die?

When my family opened the Palace Café in 1991, I served as executive chef. Palace Café's success gave me the confidence to open Dickie Brennan's Steakhouse and the Bourbon House Seafood and Oyster Bar.

Each new restaurant involved hard work and personal and financial sacrifice, with large amounts of capital needed up front and additional investments required for maintenance, remodeling, equipment and advertising to keep the business strong.

If lawmakers understood what it takes to start, maintain and grow a business, they wouldn't push to reinstate the federal estate tax, which expired at the end of last year.

Commonly known as the death tax because it's assessed after somebody dies, the estate tax comes back to life Jan. 1 unless Congress stops it. The rate would be 55 percent on all assets more than \$1 million.

Some lawmakers are eagerly waiting for the tax to go to 55 percent. Others, including President Obama, support a "compromise" rate of 45 percent.

Representatives ought to support a permanent repeal.

The tax, at any rate, penalizes family business owners in particular who have most of their wealth tied up in their businesses, including buildings and other assets, such as equipment, inventory and vehicles.

But it's not just business assets the tax authorities go after. They also include personal assets such as the house, car, antiques and retirement accounts.

When forced to give Washington such a high percentage of everything the decedent owns within nine months after a family member's death, many families have no choice but to sell all or part of the business.

It happens all the time.

Between 1995 and 2005, estate taxes were paid by more than 37,000 “closely-held businesses,” 24,000 family farms, 50,000 limited-partnerships and nearly 28,000 other noncorporate businesses, such as sole proprietorships, according to data compiled by Congress’s Joint Economic Committee in 2006. The combined worth of those businesses in constant 2005 dollars was \$104 billion.

My family over the years has purchased life insurance and worked with expensive lawyers to minimize the damage the tax will cause. But every dollar we spend on insurance and legal fees is a dollar less we have to invest in the business and create new jobs. With the money we already have spent we probably could have opened another restaurant.

Former Congressional Budget Office Director Douglas Holtz-Eakin’s study found that estate tax repeal would create 1.5 million jobs nationally. The Pelican Institute think tank estimates more than 21,000 of those jobs would be in Louisiana.

If the estate tax comes back next year at the 55 percent rate, Louisiana could lose another 7,000 or so jobs. Many of those would be restaurant jobs, since 10 percent of the work force is in the restaurant industry, according to the National Restaurant Association.

Sens. Mary Landrieu and David Vitter have supported estate tax repeal in the past. Family business owners and their employees need their continued support.

The death tax died last year. Let’s bury it for good.

**Dickie Brennan is owner of Dickie Brennan and Co., which includes Bourbon House Seafood and Oyster Bar, Dickie Brennan’s Steakhouse and Palace Café.**

Read full story at: <http://www.allbusiness.com/government/government-bodies-offices-us-federal-government/14359042-1.html>