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### **Statement for the Record**

U.S. Senate Finance Committee

### **Federal Estate Tax: Uncertainty in Planning Under the Current Law**

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Chairman Baucus, Ranking Member Grassley, and members of the Committee: It gives me great pleasure to share with you my support for permanent repeal of the Federal Estate Tax, or “death tax,” as it is better known.

My business, the Swanson Group, Inc. has already been placed on the chopping block once due to the death tax. In the next few paragraphs, I want to make clear why facing the death tax a second time could lead to my company’s demise.

The Swanson Group is a 2<sup>nd</sup> generation family-owned success story. Over the course of the last 25 years, we have grown from 70 employees to over 1,100. We run multiple operations which include timber harvesting, manufacturing high-quality construction products, and most recently, utility helicopter chartering. The company’s success has been fueled by a series of highly successful buyouts of previously underperforming companies. This strategy has required constant reinvesting of the company’s assets and heavy debt leveraging. A key fact about my company is its lack of significant cash or other liquid assets.

While this lack of cash has not stopped the Swanson Group from profitably expanding the business, it has made it very difficult for my family to pay the death tax owed for my father’s estate. Because my father anticipated the trouble that we would have paying his tax liability, he aggressively transferred most of his stock to his children before he died. While this avoided the brunt of the death tax, it cost the company millions of dollars in gift taxes. Far from being a small inconvenience, this loss has hamstrung our ability to reinvest and profitably expand in the years following my father’s death.

The most frustrating fact of this whole ordeal is that it is not a one-time problem. Just as I and my siblings will one day die, so too will my family be forced to deal with the death tax

yet again. This time, they will not have the option of bequeathing shares, due to the fact that there are now nine owners rather than just one. This would make the gift tax prohibitively large. So instead of bequeathing stock, we are spending a fortune on life-insurance policies. Unfortunately, even this very expensive strategy is not guaranteed to work.

When my life-insurance policy comes up for renewal in a few years, it is very likely that my premiums will become too expensive to justify the cost. Without life-insurance, my family will be forced to sell off assets when I die in order to pay the tax. Selling off profitable assets is always the last thing a business owner wants to do, particularly when those assets include the jobs of loyal and hard-working employees. Whether the assets are machinery, storage space, or people, their loss always severely hampers a business's ability to grow and often puts it at a competitive disadvantage. The loss of productive assets also lowers a company's overall contribution to the local economy, and the tax revenues which it provides to state and local governments.

I am a hard-working and responsible business owner. I have built my life around making the family company stronger. I do not believe that I should be punished for leaving a viable business to my children when I die. In fact, I find the death tax repugnant to the core American virtue of entrepreneurialism. No other tax more directly targets those who have preserved and increased wealth, jobs and prosperity than the death tax.

I have no intentions of dying in 2010, the year that the death tax is temporarily repealed. In fact, I hope to live a much longer life, and see the family business pass on to my children. If Congress does the right thing and permanently kills the tax, I have every confidence that this will happen.

Members of the Senate Finance Committee, please do your part to introduce and approve legislation to permanently repeal the death tax.

Thank you for your time.

Respectfully,

Steve Swanson