



## **REPEAL/REFORM OF THE ESTATE TAX**

### **POSITION:**

SMACNA supports permanent repeal or major reform of the estate tax favorable to intergenerational business transfers.

### **ISSUE:**

In 2001, Congress passed a \$1.3 trillion tax cut package that included repeal of the estate tax. The estate tax rates will gradually decrease from 2002-2009, and full repeal will occur in 2010. However, repeal of the estate tax and all reductions in the tax rates are scheduled to “sunset” in the year 2011. This means that the estate tax will be reinstated (at the full rate) unless legislation is passed to make the cuts permanent.

### **KEY POINTS:**

- More than 70% of family businesses do not survive the second generation, and 87% fail to make the third generation. Studies indicate that the average family business spends nearly \$20,000 in legal fees, \$12,000 for accounting, and an additional \$11,200 for other advisors preparing for death taxes.
- Federal estate tax rates have increased significantly since their implementation in the early 1900's. Families often must sell their small construction companies in order to pay the death tax. This in turn creates disruption for employees, customers and suppliers.
- Construction companies are frequently Family owned and are particularly hard hit by the death tax burden, since the value of these businesses is not in liquid assets.

### **STATUS:**

Congress will address the repeal or reform issue in the spring of 2008. A bipartisan agreement has been reached to attempt resolution of the estate tax issue during this Congress. These bills should include:

#### **H.R. 2380, Death Tax Repeal Permanency Act**

**Title:** To make the repeal of the estate tax permanent.

**Sponsor:** Rep. Kenny C. Hulshof (R-MO-09) 157 cosponsors

#### **S., Death Tax Repeal Permanency Act**

**Title:** A bill to make the repeal of the estate tax permanent.

**Sponsor:** Sen. Jon Kyl (R-AZ)

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