



SB 304: We Oppose Modifying the Estate Tax Exemption for Family-owned Businesses

Testimony for Senate Finance and Revenue - Feb 13, 2019

SB 304 would expand exemptions for the Estate Transfer Tax to include any “family-owned business” with certain caveats. A decedent who owned an interest in a family-owned business one year or more before death could transfer ownership tax free to one or more family members named in the decedent’s will or trust. The caveats would be that 75% of the business enterprise must be owned by one or more family members and that the Natural Resources Credit of (50% credit) for active farms, timberland or commercial fishing could not also be claimed. Eligible heirs would be third-degree relatives by blood, marriage, civil union or domestic partnership, which include not only spouses and grandparents, grandchildren, uncles, aunts, nephews, nieces, and half-siblings, but also great-grandparents, great grandchildren, great uncles/aunts, and first cousins.

Let’s look at the implications of this. If a person whose spouse has died has 100% ownership in a 75% family-owned business, or is transferred 100% ownership of the family business at least a year before his death, that part of his estate is passed tax-free to designated family members.

Almost any family business, no matter the size of its assets, could avoid an estate tax by transferring ownership to its oldest or dying family member. This is ripe for abuse. Under current estate planning, the owner can put assets into living revocable and irrevocable trusts as well as irrevocable life insurance trusts, that reduce the estate tax.

As written, all kinds of very wealthy family businesses, such as real estate enterprises, would be exempt from taxation. If one believes in the benefits of the estate tax for reducing economic inequality and redistributing a small portion back into the General Fund, to provide relief and opportunity at the lower and of the spectrum, then SB 304 must be opposed.

We read the bills and follow the money

