

## **Estate Taxes**

**Background:** There are currently ten to twelve million privately held businesses in the United States. These businesses account for 50% of the GNP, 50% of all jobs, and 65% of U.S. wages paid. The Small Business Administration states that small business accounts for nearly two thirds of the net new jobs in the economy.

The failure rate for small businesses is alarming: 80% of all start up enterprises fail in the first 5 years of operation; of the remaining 20%, the typical life expectancy of the business is just 24 years, which is the average working life of its founder. Less than 33% of family businesses survive into the second generation, and less than 10% survive into the third generation. Transfer taxes cause a tremendous financial strain on small businesses. The majority of estate and gift tax rates paid by recipients of business property are between 55% and 60% of the fair market value of the business. Estate taxes are essentially a “ransom” that families must pay for the “privilege” of keeping their business in the family. Businesses are already heavily taxed: local, state and federal income taxes, property taxes, sales taxes, unemployment taxes, workers compensation, FICA, payroll, etc. There is absolutely no justification for levying a tax just because the business is changing ownership.

Current estate tax burdens are crippling construction owners and adversely affecting the country’s economy. An alarming trend seen in many companies is that the owner, in preparation for horrendous estate taxes, is investing in expensive life insurance policies rather than investing money in the business. A result is that the business falters (or does not grow, evolve or enhance its products and services) so that the inheritor/receiver can afford to pay the estate taxes upon receiving the business. These actions adversely impact not only the business owners, but also their customers and the community. In other cases, construction owners are choosing to close the business rather than pass it on to future generations because of disproportionate estate and business transfer taxes.

**PHCC Nevada Position:** PHCC Nevada supports repealing estate tax laws in order to ease the burden of business transfer on the children or heirs of qualified small businesses, and to allow for the succession of family owned businesses.

**Government Relations Committee Approval:**  
**Board of Directors Approval:** Feb. 2, 2009