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## Democrats' Estate Tax Plan Is Little Known

By David Cay Johnston

Small-business owners and farmers whose Washington lobbyists are ardent backers of a Republican-backed plan to repeal the estate tax seem largely unaware that President Clinton — who has vowed to veto the Republican proposal — has said he would sign legislation that would exempt nearly all of them from the tax starting next year.

Business owners and farmers would be allowed to leave \$2 million — \$4 million for a couple — to their heirs without paying

estate taxes under the plan favored by the President and the Democratic leadership in Congress. The Republican proposal, which passed the House last month with some Democrats' support and is being debated in the

Senate this week, would be phased in slowly, with the tax eliminated in 2009.

Supporters of the Republican plan say the tax is so complicated that elimi-

nating it is the only effective reform; they argue that the nation's growing wealth means more estates will steadily fall under the tax if it remains law on the Democratic proposal's terms.

Still, had the Democratic plan been law in 1997, the last year for which estate tax return data is available from the Internal Revenue Service, the estates of fewer than 1,300 owners of closely held businesses and 300 farmers would have owed the tax.

According to the data, 95 percent of the roughly 6,000 farmers who paid estate tax that year would have been exempted under terms of the Democrats' plan, as would 88 percent of the roughly 10,000

small-business owners who paid the tax.

Had the estate tax been repealed in 1997, as the Republicans now propose, more than half of the tax sav-

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ings would have gone to the slightly more than 400 individuals who died that year leaving individual estates worth more than \$20 million each.

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“The fact is that the Democrats are making the better offer — and I’m a Republican saying that,” said Sanford J. Schlesinger of the law firm of Kaye, Scholer, Fierman, Hays & Handler in New York. With routine estate planning, he said, the \$4 million exemption could effectively be raised to as much as \$10 million in wealth that could be passed untaxed to heirs. Only 1,221 of the 2.3 million people who died in 1997 left a taxable estate of \$10 million or more, I.R.S. data shows.

Neil Harl, an Iowa State University economist who is a leading estate tax adviser to Midwest farmers, said that only a handful of working family farms had a net worth of \$4 million. “Above that, with a very few exceptions, you are talking about the Ted Turners who own huge ranches and are not working farmers,” he said.

Mr. Harl said he was surprised that farmers were not calling lawmakers to demand that they take the president up on his promise to sign the Democratic bill.

One reason for that may be that in leading the call for repeal of the tax, two organizations representing merchants and farmers — the National Federation of Independent Business and the American Farm Bureau Federation — have done little to tell members about the Democratic plan.

Interviews this week with half a dozen people whom the two organizations offered as spokesmen on the estate tax showed that only one of them had any awareness of the Democratic proposal.

Officials of the business federation and the farm bureau said that in the event full repeal failed, they might push for approval of the Democratic plan. But both groups say outright repeal makes more sense.

“My concern is not over the Bill Gateses of the world,” said Jim Hirni, a Senate lobbyist for the

business federation. “But we have to eliminate this tax, because it is too complicated to comply with the rules. Instead of further complicating the system, the best way is to eliminate the tax, period.”

A farm bureau spokesman, Christopher Noun, said that the Democrats’ plan appeared to grant benefits that would erode over time. “Farmers are not cash wealthy, they are asset wealthy,” he said. “And those assets are only going to continue to gain value over the years. So while some farmers may not be taxed now under the other plan — 10 or 15 years out they will.”

Whether the proposal to repeal the tax dies in the Senate or is passed and then vetoed by the President, it will become a powerful tool for both parties in the fall elections. The Republicans will be able to paint themselves as tax cutters who would carry out their plans if they could just win the White House and more seats in Congress. The Democrats could try to paint the Republicans as the party that abandoned Main Street merchants and family farmers to serve the interests of billionaires.

A vote in the Senate could come as early as this evening.

At the grass roots, however, those who would benefit from any reduction in the scope of the estate tax take a much more pragmatic view of the matter.

“The whole reason I took up this cause is I do not want to see another small family business get into the situation we are in,” said Mark Sincavage, a land developer in the Pocono Mountains of Pennsylvania whose family expects to sell some raw land soon to pay a \$600,000 estate tax bill to the federal and state governments.

The independent business federation cited Mr. Sincavage’s situation as an especially good example of problems the estate tax causes its members who are asset rich but short on cash. Facing similar circumstances is John H. Kearney, a Ford and Lincoln dealer in Ravena, N. Y., who said he “got slammed pretty hard” when his father died last year. Most of his father’s \$1.6 million estate was in land and the car dealership, said Mr. Kearney, who added that he dipped into savings intended for his children’s education to pay the estate tax bill.

Neither Mr. Sincavage nor Mr. Kearney said he

was aware of the Democrats' plan to roll back the tax.

But Mr. Kearney said his interest was in reasonable tax relief so that merchants and farmers could continue to nurture their businesses, not in helping billionaires.

"No part of me has any sympathy for people with more than \$5 million," he said. "Would I feel terrible if all they did was raise the exemption to \$4 million or \$5 million? I would say from my selfish standpoint that we have covered the small family farm and small business and thus we achieved what we wanted to achieve.

"But I would still be asking: Is it really a moral tax to begin with? And that's a point you can argue a hundred different ways."

Carl Loop, 72, who owns a wholesale decorative-plant nursery in Jacksonville, Fla., said he favored repeal, partly because estate tax planning was fraught with uncertainty.

"The complexity of it keeps a lot of people from doing estate planning because they don't understand it," Mr. Loop said. "And they don't like the fact that they have to give up ownership of property while they are alive."

Professor Harl, the Iowa State University estate tax expert, said that he had heard many horror stories about people having to sell farms to pay estate taxes. But in 35 years of conducting estate tax seminars for farmers, he added, "I have pushed and pushed and hunted and probed and I have not been able to find a single case where estate taxes caused the sale of a family farm; it's a myth."