



## **FBETC**

The Family Business Estate Tax Coalition (FBETC) is a grassroots coalition of over 50 national family-owned business organizations dedicated to the full, permanent repeal of the estate tax. Because permanent repeal of the estate tax may not be attainable during this Congress, the FBETC supports permanently extending current law with a 35 percent top tax rate and \$5 million exemption.

### **What is the estate tax and how does it hurt family-owned businesses?**

The estate tax applies to property transferred at death when the value of the property exceeds the estate tax exemption. The cost of the estate tax comes not only from paying the tax, but also from estate planning.

Much of the value of family-owned businesses is tied to illiquid assets such as land, buildings and equipment, which can force the new owner to sell the business's assets to pay the tax. Protecting family businesses from the estate tax is important in order to keep these businesses operating for future generations.

For many family-owned businesses to keep operating after the death of the owner, they must plan for the estate tax. Planning costs associated with the estate tax are a drain on business resources, taking money away from day to day operations and business investment. These additional costs make it more difficult for the business owner to expand and create new jobs.

### **Current Law**

Last year, the FBETC supported the estate tax provisions in the Middle Class Tax Relief Act of 2010 that the President signed into law.

Key provisions of current law include:

- An exemption of \$5 million, effective January 1, 2011 for two years
- The exemption amount is indexed for inflation beginning in 2012
- A top tax rate of 35 percent, effective January 1, 2011 for two years
- The enactment of the "stepped-up basis" to reflect the increase in the value of assets
- Spousal transfer of any unused exemption amounts, effective January 1, 2011 for two years

If Congress fails to act, after 2012 the top estate tax rate will increase to 55 percent with a \$1 million exemption and the spousal transfer will disappear. Because permanent repeal of the estate tax may not be attainable during this Congress, the FBETC supports permanently extending current law with a 35 percent top tax rate and \$5 million exemption and believes it will bring the certainty that businesses need now.