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Editorial

Cutting a tax deal

It is time to cut a deal on the death tax. Democrats and Republicans in Congress have had different approaches, but all have constituents who face the same problem.

The problem is that heirs to a large family business face a marginal rate of 45 to 55 percent on the federal estate tax. If they don't plan ahead, this will cause them to sell the business. Or they can plan ahead by buying life insurance with money that should have been invested in the business. Many privately held Puget Sound area companies have been sold for estate taxes, including the Everett Herald, Ben Bridge Jeweler and the Frank Russell Co.

This is not a theoretical issue for us. We are a local company. We do not want to sell out to Gannett, Hearst, Viacom, Walt Disney, Rupert Murdoch's News Corporation or somebody else.

A high death tax is not comparable to a high income tax. The top rate of income tax is 35 percent and used to be double that. But people earn income in dollars and can pay a high income tax if they have to. The death tax is like the property tax on a house. In Seattle, the property tax is a bit more than 1 percent of value of a house. Imagine inheriting a house and having to pay the government 48 percent of its value. Imagine having to plan for that, years ahead — and how that might affect your willingness to invest in your house.

That is the problem for family business in America — and for every employee who works in one.

Supporters of this tax advertised it as a way to bill the rich. Actually, what it does is force family owners to sell to corporate giants, to tie up their money in trusts and to purchase a lot of wasteful life insurance. It has diverted money that could have created good-paying jobs.

In the past few years, estate-tax repeal was blocked in the Senate by Sen. Tom Daschle, D-S.D. Many Senate Democrats understand this issue far better than Daschle did, and several have offered reasonable compromises.

The next step is to propose a plan that will repeal or dramatically lower this tax, which handicaps family companies in their effort to grow and create family-wage jobs.

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