

# Survey Of The Impact Of The Federal Estate Tax On NAWBO Member Businesses

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**Prepared for:**

The Center for the Study of Taxation

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# EXECUTIVE SUMMARY

Summarized below are the results of a survey of 272 family-owned and operated businesses which are members of the National Association of Women Business Owners (NAWBO). The study was sponsored by The Center for the Study of Taxation. It evaluates the experience of these businesses with the Federal Estate Tax and assesses their expectations about how it will affect their businesses, and the people they employ, over the next five years.

## KEY FINDINGS

In the past five years, family-owned and operated member businesses of NAWBO report that expenditures associated with the Federal Estate Tax have been high.

- Three out of four have incurred expenses related to Federal Estate Tax planning in the past five years and average disbursements for all related expenses reach nearly \$60,000.
- Life insurance premiums account for the largest amounts of money spent to date, with average expenditures of approximately \$30,000.
- Average spending for actual payment of the Tax is about half that for life insurance premiums, while internal labor costs and attorney/consultant fees fall below this level.

Further, the loss of jobs in the past five years resulting from these expenditures has been substantial.

- Already, an average of 39 positions have been lost per business. Thus, for just the **272** businesses surveyed, the total number **of jobs already lost due to** the Federal Estate Tax **approaches** 11,000.
- In addition, an average of 103 jobs per business that companies could have created over the next five years will not materialize as a result of Federal Estate Tax planning. Thus, **for the 272 businesses** completing the survey, the total number of additional **jobs lost surpasses 28,000**.

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In the event of the sudden death of the principal owner or owners of their company, respondents estimate that the imposition of the Federal Estate Tax would not only result in job losses but would also seriously threaten the viability of their businesses.

- Businesses estimate an average loss of nine existing jobs as well as 16 currently planned new positions.
- Roughly half of the businesses surveyed report that life insurance proceeds would be needed to pay the Federal Estate Tax.
- Approximately four in 10 claim that...
  - ✓ the Federal Estate Tax would cause plans for expansion to be delayed, substantially curtailed or abandoned altogether.
  - ✓ all or part of the business would have to be sold to meet the Federal Estate Tax burden.
- Slightly more than one-third of respondents indicate that their businesses would have to borrow money to pay the Federal Estate Tax.

## CONCLUSIONS

The overall effect of the **Federal** Estate Tax on NAWBO businesses has been to burden them with steep monetary outlays for the planning and payment of the Federal Estate Tax. Moreover, the Tax has resulted in significant job losses and will continue to do so. Further, payment of the Federal Estate Tax could put the very survival of these businesses at risk.

Projecting these findings, even on a conservative basis, to all NAWBO businesses reveals that the **overall** negative impact of the Federal Estate Tax is even more substantial.