

Executive Summary

Summarized below are the results of a survey of 365 family-owned and operated businesses in Upstate New York conducted in March and April of 1999. The study was sponsored by The Public Policy Institute of New York State. It evaluates the experience of these family-owned and operated 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 businesses in Upstate New York report that costs related to the Federal Estate Tax have been high, both in terms of financial outlays for planning and in jobs lost.

Survey Of The Impact Of The Federal Estate Tax On Family Business Employment Levels In Upstate New York

June 22, 1999

Prepared for:

The Public Policy Institute
of New York State

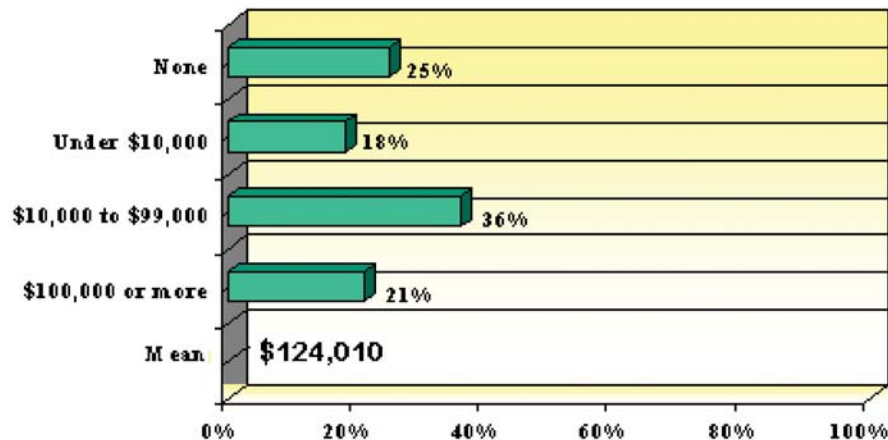
Prepared by:

TRAVIS
RESEARCH ASSOCIATES, INC.

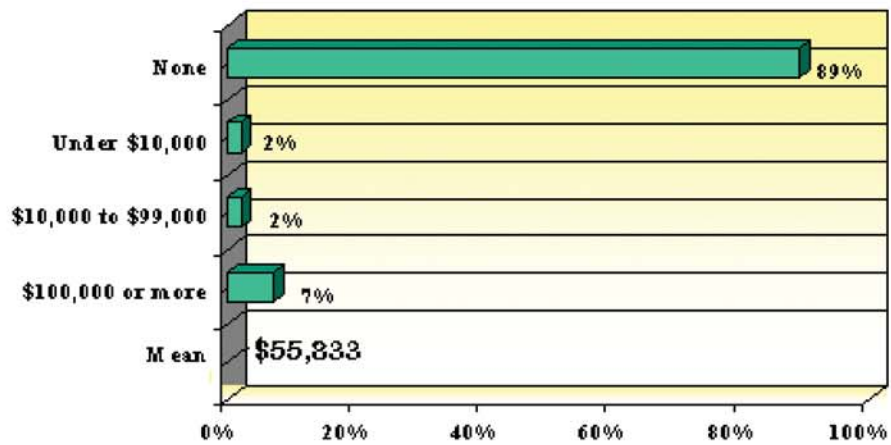
AMOUNT SPENT RELATED TO THE FEDERAL ESTATE TAX OVER THE LAST FIVE YEARS

Question: "Over the last five years, about how much has your business spent related to the Federal Estate Tax?"

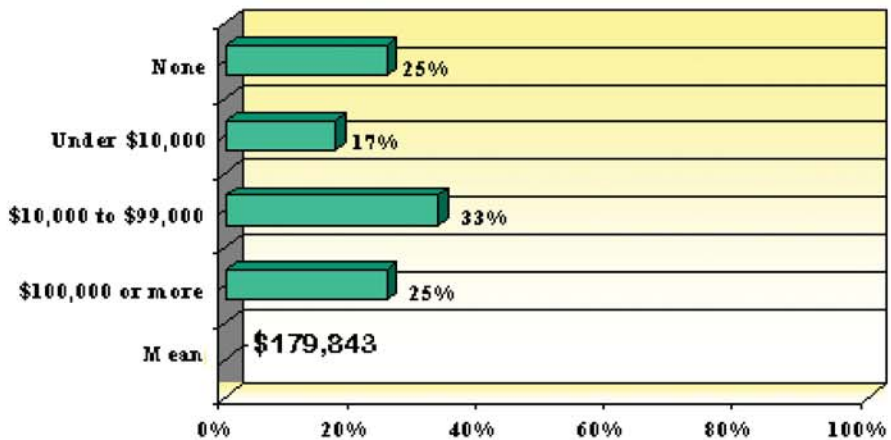
① Amounts spent on Attorney/Consultant Fees, Life Insurance Premiums, Internal Labor Costs, etc.



② Amounts Spent on actual payment of Federal Estate Taxes

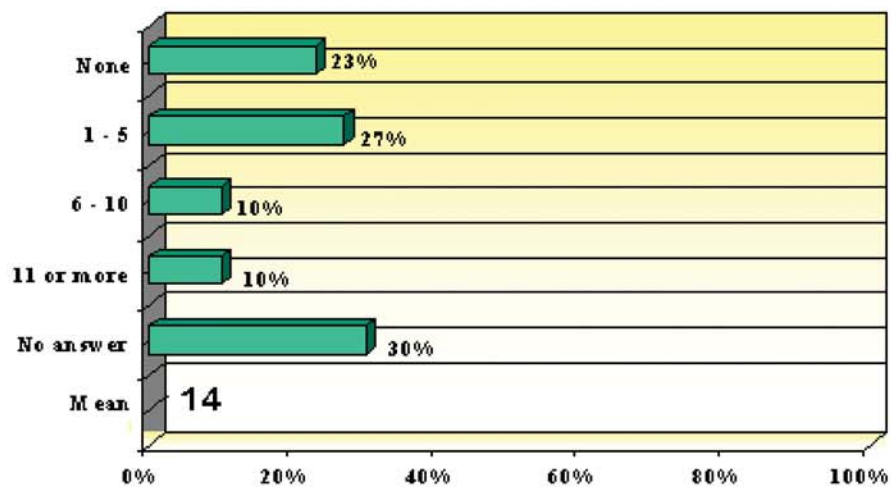


Total spent on Attorney/Consulting Fees, Life Insurance Premiums, Internal Labor Costs, etc. PLUS Federal Estate Taxes Actually Paid



JOBS NOT CREATED IN PAST FIVE YEARS DUE TO THE FEDERAL ESTATE TAX

Question: "If you had not incurred costs related to the Federal Estate Tax, about how many more jobs would your business have created during the past five years?"

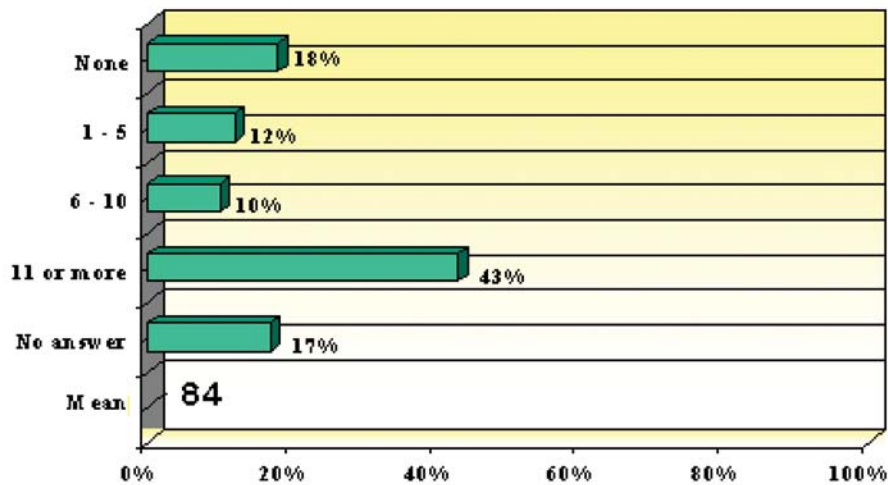


365 businesses surveyed x 14 = 5,100 JOBS LOST!

Furthermore, they contend that the burden will continue over the next five years, will result in further reductions in jobs, and will pose serious threats to the viability of their businesses.

CURRENT AND FUTURE JOBS AT RISK DUE TO THE IMPOSITION OF FEDERAL ESTATE TAX

Question: "How many jobs, including both existing jobs and jobs your business expects to create in the next five years, could be lost due to the imposition of the Federal Estate Tax should the current principal owner(s) die?"



365 businesses surveyed x 80 = at a minimum 15,000 JOBS!

■ Again, this substantial number of jobs directly at risk over the next five years reflects the experiences of a relatively small segment of the family business community in Upstate New York. Logic dictates that by applying these findings, even on a conservative basis, to the whole of the family business community in New York State, the overall negative impact that the Federal Estate Tax will have on employment levels over the next five years can be seen as even more substantial.

■ Further, a clear majority of respondents indicates that the death of an owner would put their businesses at grave risk because they would be forced to take the purely tax motivated steps of obtaining loans to redeem the owners' stock or using the stock as collateral in order to meet their Federal Estate Tax obligations.

■ Finally, fully one-third indicate they will be compelled to take the dramatic and clearly undesirable step of selling, or otherwise liquidating, all or part of their business to meet their Federal Estate Tax burden.

There is no reason to believe that the survey results summarized above would be any different if this survey of family businesses were conducted in other regions and localities throughout the United States.