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Statement of Sen. Chuck Grassley  
Hearing, “Federal Estate Tax: Uncertainty in Planning Under the Current Law”  
Wednesday, Nov. 14, 2007

Thank you, Mr. Chairman, and thank you for holding this hearing. I want to start by thanking you for everything you have done to help protect small businesses and farmers from the estate tax. We have made significant progress, but all of our hard work will be undone in 2011 if Congress does not act before then. Under current law, in 2011 the estate tax will return to a rate of 55%, and sometimes up to 60%, of assets above a \$1 million unified credit amount. This tax must be paid within nine months of the death of an individual.

I believe that the estate tax, or death tax, is unjust from a philosophical and from a technical viewpoint. From a philosophical perspective, I have always said that death should not be a taxable event. There is something fundamentally wrong when the government swoops in after a funeral to take a cut of what that person had worked their whole life for, and has already paid taxes on at least once. Any monetary benefit obtained by any individual is either taxed or not taxed for a very specific reason. As long as a person has accumulated an estate in accordance with the law, the government should not be able to profit from that person’s death.

From a technical standpoint the death tax is fatally flawed in that, owing to a due date of nine months after a death, the estate tax forces survivors to liquidate assets in economically poor circumstances. Instead of the free market determining when assets are bought or sold, the death tax makes that determination. As most people are not privy to the exact date they will hand over half of everything they own to the government, the death tax is fundamentally not fair.

Whenever discussion of the death tax comes up, especially on the Senate floor, it is fashionable for some of my colleagues to talk about the very wealthy as if we should base our actions solely on how they impact billionaires.

According to Forbes, as of March of this year there were 946 billionaires in the world, and many of them are not Americans. Even if all of them were Americans, I believe that a few of the other 300 million people we collectively represent would like us to keep them in mind as well, as we consider this issue.

I want to mention some real people who live in Iowa, and who have graciously agreed to be with

us today to share their story. Not only do they live in Iowa, they have devoted their entire life, for multiple generations, to build businesses and create good jobs for the people of rural Iowa. Around 44 years ago, Eugene and Mary Sukup started a grain handling and storage manufacturing company in little Sheffield, Iowa.

Today, the Sukups and their two sons and their families still are headquartered in Sheffield, Iowa, population 938, and they employ about 350 people, in good-paying jobs, with good retirement plans. I will let Mr. Sukup tell his own story, but we should all keep what he says in mind as we contemplate what to do with the death tax. 40% of a billion dollars is still a great deal of money, but how we deal with the estate tax will determine whether businesses like the Sukup Manufacturing Company are able to survive and continue serving their communities.

In closing, I want to highlight a few numbers that the Joint Committee on Taxation has made available for this hearing. The Joint Committee estimates that in 2009, there will be 9,600 estates subject to the estate tax. Of course that number falls to zero in 2010, but jumps up to almost 62,000 in 2011 and continues increasing year after year. I know for a fact that most of those 62,000 will not be billionaires. I have consistently maintained that the death tax should be completely repealed, but I have also let it be known that I am willing to compromise. What I am not willing to compromise on is that we need to make sure we are looking out for small business owners and family farmers in order to ensure that what amounts to a personal tragedy does not amount to a government-driven fiscal tragedy as well.