

Senator Houck Reports From Richmond

Once again, Virginia's legislature has passed and Governor Kaine has provided great leadership in ridding the citizens of the Commonwealth of the cumbersome burden known as the estate tax. Recently, my colleagues in the General Assembly endorsed tax relief for Virginia's family farmers and small business owners by approving legislation that calls for the full repeal of the Commonwealth's estate tax effective in 2007. Governor Kaine brought this topic as a means of resolving the budget stand-off between the House of Delegates and the Senate. Both bodies responded to the Governor's call for the repeal of the "death tax." This is a great example of everyone working together for a mutual positive goal.

As I wrote nearly three years ago in this same forum, the estate tax threatens every family farm and small business throughout the Commonwealth that's looking toward the next generation. Many family farmers and small business owners realize that being land or property rich and cash poor puts them at risk when the estate tax collector comes.

It has been shown that nearly all of Virginia's roughly 48,000 farms are family owned or operated. The estate tax is an additional tax imposed on income, business enterprises and property that has already been taxed when it is passed on to family members after a loved one dies. When these businesses or farms don't have the cash or assets to cover the bill, the families are often forced to liquidate their businesses and farms and lay-off employees.

Families that try to save their farm or businesses will spend thousands of dollars on estate planning, with expenditures for life-insurance and tax attorneys to protect family-owned businesses. On average, small business owners spend \$60,000 a year to hire estate planning attorneys and purchase expensive insurance policies to offset the cost of the tax or avoid it altogether.

Hard work, solid family ties and the chance for economic prosperity are all fundamental American values. Along those lines, small businesses and family farms are the foundation on which the Commonwealth was built. In one fell swoop, the estate tax can eliminate a lifetime of blood, sweat and tears that it took to build that family business or farm from the ground up.

Estate tax repeal will preserve family owned businesses by letting them reinvest in their business, create jobs or enhance employee health benefits with money otherwise spent on estate planning.

In addition to being a threat to these family farms and small businesses, failure to repeal the estate tax will lead to sprawl and unwanted development. Family farms are ripe targets for developers as rapid growth has increased land values and tax rates.

Land that was once rolling hills and peaceful meadows has the potential to be turned into residential subdivisions and strip malls. On top of expediting sprawl, this can become a serious impediment threatening wildlife and open space.

Repealing the estate tax will give families and individuals a reason to keep their estates in place and not pursue land development deals as an option to cover the cost of their estate tax bills. When heirs have to pursue real estate transactions to cover their estate tax costs, most are forced to willingly accept the highest price for the property, no matter the intent of the developer.

Virginia has always been regarded as a business friendly state and keeping the estate tax on the books is a contradiction to that thought. We need to nurture our small businesses and family farms to create jobs, not place impediments on their ability to succeed.

Admittedly, I've been a strong proponent of agribusiness in my 20-plus years in the Virginia General Assembly. I'm native to Central Virginia and have worked for more than two decades with the Virginia Farm Bureau and Virginia Agribusiness Council on numerous initiatives. I can tell you first hand that the issues faced by Virginia's farm families because of the estate tax are serious threat and not just rhetoric.

The movement for repeal of the estate tax has truly been a bipartisan effort. Legislators from both sides of the aisle have put aside their political differences to rally around this common cause, and I'd like to thank my colleagues for their support for repeal legislation.

Repealing the estate tax will save family farms and family-owned businesses and keeps taxpaying families and job producing businesses in Virginia. We've traveled this road before and our constituents have spoken. Governor Kaine deserves great credit for advocating the repeal and for guiding this legislation which shows Virginia's farm families and small businesses that we're taking steps to protect their rights and their way of life.