



High prices prompt renewed focus on eliminating “death tax”

By Sara Wyant

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If you own a farm or ranch and want to leave most of it to your heirs, plan to die in 2010. As absurd as that may sound, it’s the only year that the so-called “death tax” is scheduled to be fully repealed. After that, and your estate could be hit with a whopper tax bill.

On June 7th, 2001, President Bush signed into law the Economic Growth and Tax Relief Reconciliation Act of 2001, which included the so-called “Estate Tax repeal.” It marked a compromise, under which Congress created a 10-year phase-out that gradually allows more of your estate’s value to be deducted each year until 2010, and then the estate tax will be fully repealed.

The hitch is, the tax will only be repealed for that one year. After that, the level jumps back to rates established in 2001 (37% up to 55%) and will allow only \$1million in assets to be exempted.

Calendar Years	Exemption Amount
2002-2003	\$1 million
2004-2005	\$1.5 million
2006-2008	\$2 million
2009	\$3.5 million

In other words, unless Congress acts between now and 2011, the tax law completely reverts in 2011 to what it was prior to the enactment of the Estate Tax repeal in 2001.

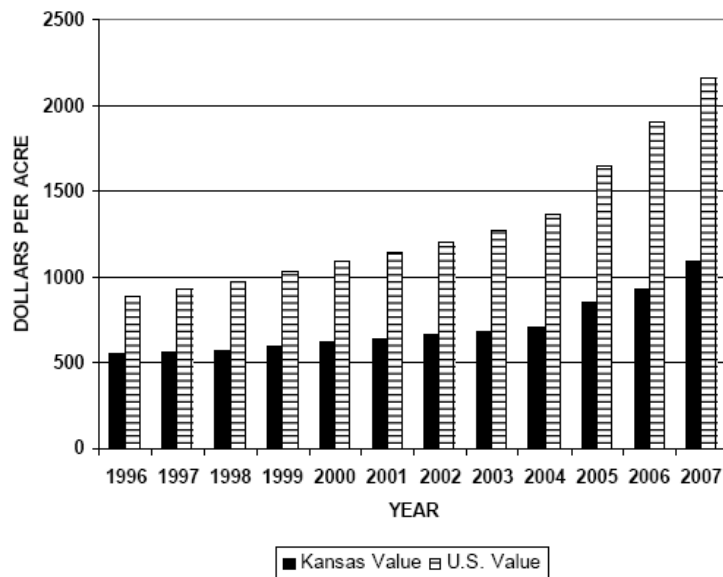
For years, farm and ranch groups have been working to permanently repeal the Death Tax. But with budget deficits looming, most

lawmakers are reluctant to give up or offset the revenue that’s currently generated from this type of tax.

“The uncertainty under current law is untenable,” says Jason Jordan, Manager of Legislative Affairs for the National Cattlemen’s Beef Association. “It makes estate planning extremely difficult.”

Complicating estate planning efforts: corn, soybean and wheat prices soared to record levels earlier this year, and farmland prices also pushed to unprecedented heights. In many states, like Kansas, farmland and building values doubled. Nationwide, USDA estimated that the price of an average acre of U.S. cropland rose 13% in 2007, to \$2,700, more than double the \$1,340 price of 1998.

**Average Values per Acre of All Farmland and Buildings,
U.S. and Kansas, 1996 – 2007**



Landowners, who built an estate plan a few years ago, might find that their assets have doubled or even tripled in value today---making some of the current tax exemptions unrealistic. Given all of these changes and the uncertainty surrounding the tax laws, it's become necessary to revisit your lawyer and estate planner every year.

There have been several efforts in this Congress to address estate tax reform, but none have gained any significant momentum.

- Reps. Kenny Hulshof (R-MO.) and Robert Cramer (D-AL.) introduced H.R. 2380, with **67** original cosponsors last year. Similar legislation (H.R. 1586) was introduced by Rep. Mac Thornberry (R-TX). Both bills would make the repeal permanent.
- As part of the Senate budget resolution, a measure offered by Senator Max Baucus (D-Mont.) could pave the way for future actions that will lessen the burden of Death Tax on ranching families. The Baucus amendment does not actually alter current tax law, but sets aside funds for the Senate Finance Committee to address some form of Death Tax relief within the next five years.

In an effort to keep the debate moving, the Senate Finance Committee recently held another hearing on this topic. However, Ranking Members Sen. Chuck Grassley (R-IA) says he's looking for actions, not just words.

“It is troubling to me that the Congress has done nothing more than talk about potential reforms and have not taken effective action to remedy the fact that in 2011 the death tax will come back with impunity on the 2001 level. This situation is simply unacceptable,” he adds. Grassley urged the Finance committee to move quickly toward a mark up of an estate tax bill.

“We need a bill which will simplify the estate tax as well as make those changes more permanent to provide individuals certainty and simplicity regarding the settling of their estate. A bill of this kind will ease anxiety and allow individuals to reinvest their money into their businesses and the economy as opposed to paying attorneys to keep their assets away from the government.”

Even though the Senate Finance Committee may be working towards a mark up, **Jordan is not optimistic that Congress will be able to tackle this type of sensitive issue---especially in an election year.** As a result, any hopes for permanent repeal of the death tax may be left to the next Congress and the next President.

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