

The Independent's



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655 15th Street, N.W.
Washington, DC 20005
202-452-8444

Web site: <http://www.fmi.org>

The Estate Tax Devastates Family-Owned Businesses; Repeal Glimmering on the Horizon

Family-owned businesses can be devastated by the federal estate tax. For family-owned supermarkets, the taxes are especially burdensome. The top U.S. rate of 60 percent - nearly the highest in the world - applies to estates with a mere \$10 million in assets, which can impact even a two or three store business. What's worse is that the tax must be paid almost immediately after the death of the principle owner.

Since the assets in a typical supermarket operation are usually tied up in stores, warehouses, trucking fleets, inventory, heavy equipment and refrigeration, they must often be liquidated - or the business sold - to pay the tax.

In an industry in which ownership is increasingly diverse, the estate tax is particularly harsh on minorities whose families are now accumulating wealth for the first time and are typically building first generation businesses that are most vulnerable to collapse from the estate tax. This new entrepreneurial class is also less likely to be aware of the tax and typically has not planned for its liabilities.

In addition to the families who are directly affected by the estate tax, there are millions more who are indirectly affected as thousands of small businesses refuse to grow and invest in new jobs for fear of its devastating impact after the principle's death. Further investment is lost to the defensive measures businesses must employ to shield themselves. Insurance premiums and planning costs are in reality a yearly tax on the business and typically cost tens of thousands of dollars representing lost revenues that are unrelated to growth and job creation.

Despite these drastic consequences, the estate and gift tax is the federal government's least significant revenue source. In FY 1998, only \$24.6 billion in federal estate taxes was raised - a mere 1.3% of total federal revenues.

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Death Tax Summit Brings Key Democrats to Platform

More than 100 independent business owners and their families joined national organizations and congressional members on Capitol Hill May 23 to speak out against the estate tax. The event, which was co-hosted by FMI Board Member Liz Minyard of Minyard Food Markets, drew significant national media attention. Paul Speranza, Wegmans Food Markets, presented the "Survey of the Impact of the Federal Estate Tax on Family Business Employment Levels in Upstate New York," and FMI President and CEO Tim Hammonds also attended.

In addition to several Republican proponents of estate tax repeal, seven Democratic lawmakers spoke at the event, including John Tanner (TN); Mike McIntyre (NC); Neil Abercrombie (HI); Bob Clement (TN); Ken Lucas (KY); and Bud Cramer (AL). A few of these lawmakers have faced the death tax personally and shared their family stories.

Repeal On The Horizon

Never before has the family-owned business been so close to ending the double taxation handed down by the estate tax.

In the first session of the 106th Congress, lawmakers passed the Taxpayer Refund and Relief Act. For the first time in 40 years, ultimate repeal of the estate tax was included in a major tax bill that passed both Houses of Congress. Even though the \$792 billion tax-cut package was ultimately vetoed, the business community hit a high water mark that would keep the momentum moving into the next session.

In early June, the House is scheduled to vote again on legislation that would gradually phase out the estate tax. The bill, sponsored by Reps. Jennifer Dunn (R-WA) and John Tanner (D-TN), has become a true bipartisan measure with 44 Democrats among its 237 cosponsors.

H.R. 8 would reduce the highest estate tax rates to 50 percent, and then gradually reduce all rates over nine years until the tax is eliminated in 2010. The

bill would also make the unified credit a true exemption.

The level of congressional support for this vote is crucial to our ongoing efforts toward ultimate repeal. FMI is working with Americans Against Unfair Family Taxation (AAUFT), a coalition we helped form, to win support for this measure. The coalition will be running radio ads in key congressional districts over the Memorial Day recess. We are also planning a media blitz in late September through the Election that will include radio spots in a dozen key districts. These ads are important to maintain the level of support we have on this issue through the Election. If you would like to contribute financially, please contact Laura Bourne at (202) 220-0631.

In order for our efforts in Washington to be truly effective, lawmakers also need to here from you. As an independent operator, you know first-hand the damaging effect of the estate tax on family-owned businesses.

What You Can Do To Help

Call your representative and ask them to support H.R. 8, the Dunn-Tanner Death Tax Elimination Act, which gradually phases out the estate tax over 10 years.

You can contact your lawmaker in their D.C. office by calling the Capitol Switchboard at (202) 225-3121.

The vote on H.R. 8 in June is key to the eventual repeal of the estate tax. Please take the time to contact your lawmaker today. Call Laura Bourne at (202) 220-0631 for additional information.

Visit FMI's Newly Redesigned Web site at <http://www.fmi.org>

FMI's newly redesigned Web site is up and running, providing members with instant and easy access to even more information and resources than before. Of particular interest to readers of *The Independent's Edge* is the **Government & Public Affairs** area, which has several new and interactive features. Highlights of this new area include:

- *CapitolConnect* – zip code to district matching for congressional and state delegations;
- *Election 2000* – a one-stop resource for lawmaker information, including voting records and opponent profiles;
- *What's New?* – the hottest stories from the nation's Capitol;
- Searchable database of FMI's Priority Issues (search by federal or state issues); and
- FMI Government & Public Affairs staff contacts with direct e-mail links.

For more information on the new site or for a password for the members only information, contact Kellie Duhr at 202-220-0634 or Christy Applestein at 202-220-0639.

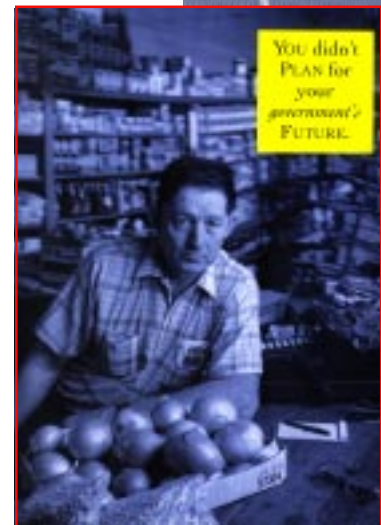
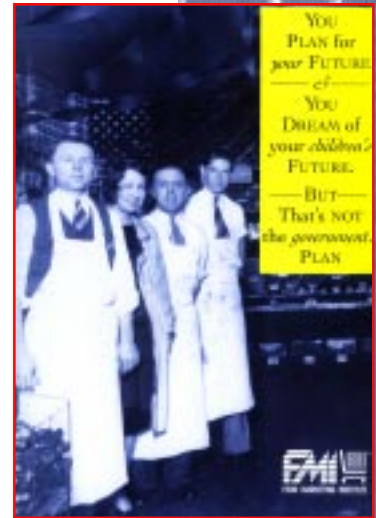
FMI Profiles Help Educate Lawmakers On Damaging Effect of Estate Taxes

Another tool FMI has to help educate lawmakers on the damaging effects of the estate tax are company profiles. These are real-life stories from FMI's members about their family-owned business and the struggles they've encountered because of the estate tax.

Nine profiles have been completed (see below) and several more are underway. If you'd like to participate, please contact Laura Bourne at (202) 220-0631.

Completed Company Profiles

Richard H. Niemann, Sr., Niemann Foods, Inc., Quincy, Illinois
Liz Minyard, Minyard Food Stores, Inc., Coppell, Texas
Ronald D. Pearson, Hy-Vee, Inc., West Des Moines, Iowa
Darioush Khaledi, K.V. Mart Co., Los Angeles, California
William (Rusty) T. McKay, Wigest Corporation, Indianapolis, Indiana
Norman C. Mayne, Dorothy Lane Market, Inc., Dayton, Ohio
Kenneth W. Macey, Macey's, Inc., Sandy, Utah
Joseph H. Harvey, III, J.H. Harvey Co., Nashville, Georgia
Joseph S. Colalillo, ShopRite of Hunterdon County, Inc., Flemington, New Jersey



☆☆☆ FMI Resources: Estate Planning ☆☆☆

Family Supermarket Succession — Managing the Future of Your Business

The Family Supermarket Succession Resource Workbook will help your family-owned supermarket see beyond the challenges of today and begin the process of ensuring that there is a successful tomorrow. This workbook is first in a series of three.

Price: Member: \$50.00* Nonmember: \$100

The Human Side of Family Supermarket Succession

Family Supermarket Succession: The Human Side is the second in a series of planning booklets to help you beat the odds and ensure that your supermarket business continues to prosper and remain a family-owned enterprise for many years to come.

Price: Member: \$50.00* Nonmember: \$100

The Legal and Financial Side of Family Supermarket Succession

This is the third in a series of planning booklets designed to help owners and senior managers of family-owned supermarket companies plan for the transition of their businesses to the next generation of leadership.

Price: Member: \$50.00* Nonmember: \$100

To order, please call FMI's Publication Sales Department at 202-220-0723.

*** SPECIAL MEMBER OFFER: ALL THREE FOR \$100**

What's Happening on the Hill

ADA Reform — Reps. Mark Foley (R-FL) and Clay Shaw (R-FL) are jointly sponsoring legislation (H. R. 3590) to ensure that commercial establishments are given 90 days advance notification of an alleged violation of the Americans with Disabilities Act (ADA) with an opportunity to correct the problem as a precondition to the filing of a lawsuit. The Foley-Shaw proposal is in response to a disturbing trend in six states where unscrupulous attorneys, claiming to represent persons with disabilities, are filing complaints against small businesses without any warning or opportunity for the business to make appropriate changes for compliance with ADA. Typically, the lawsuits have little to do with improved accessibility at an establishment, but rather are filed in order to coerce business owners into paying large legal fees.

States where these ADA lawsuits are most prevalent include Florida, California, New York, Washington, Minnesota and Nevada. FMI Independent Operators are encouraged to express their support for H.R. 3590 and to ask their lawmaker to co-sponsor this legislation. For further information on the Foley-Shaw bill, contact Ty Kelley at (202)220-0629.

Health Care Reform — In July 1999, the Senate passed (53-47) the Republican-sponsored Patients' Bill of Rights Plus Act. The legislation *does not* include language to repeal the ERISA preemption or expand liability against businesses. However, the House in October 1999 passed legislation (H.R. 2990) by a vote of 275-151 that contains extremely troublesome language expanding liability against employers as well as HMO's. Sixty-eight Republicans joined nearly all Democratic members in voting for the legislation, which FMI vigorously opposed. The measure is strongly supported by the Clinton Administration.

The House and Senate bills are now in a conference committee. Staff and members have been meeting on a daily basis for several weeks and have reached agreement on some minor issues, but have not yet addressed the critical issue of whether to allow new lawsuits against employer-provided plans and if so under what circumstances. If agreement between the two chambers is reached, the final legislation will be voted on again by both the House and Senate before going to the president, who is likely to veto any measure that does not contain expanded right to sue.



Upcoming Events for Independents

Managing the Total Store-Leadership

Monticello, Minnesota

August 6-10, 2000

For more information, contact Ernie Monschein (202) 452-8444