

## **About the Estate Tax**

- Ohio is one of very few states that has an estate tax.
- In Ohio, the estate tax is split between state and local government units. Eighty percent goes to the local government, and 20% goes to the state.
- In Ohio, the first \$338,333 of an estate is exempt from the estate tax due to a tax credit. A 6 percent tax rate applies to estates worth between \$338,334 and \$500,000. For estates worth more than \$500,000, the tax is \$9,700 plus 7 percent of the estate's value.
- Ohio's estate tax generated \$333.8 million in revenue for fiscal year 2009. Most of the revenue – about \$269.4 million worth – was distributed to local governments. The balance was distributed to the state General Revenue Fund.
- The estate tax does not apply to assets transferred to a surviving spouse.

## **Ohio's Family Farmers**

- Individuals, partnerships, and family corporations own 98 percent of Ohio's farms.
- Agriculture is Ohio's #1 industry, employing one in six individuals and contributing \$98 billion to Ohio's economy.
- From 2002-2007 (based on USDA statistics) Ohio lost about 700 farms per year.
- The estate tax burden falls heavily on farmers because agriculture takes a lot of capital assets, such as land and equipment, to generate the same dollar in income that another type of business could generate with less.
- On average, about 84% of a farmer's assets are held in land, machinery, or buildings, so paying the estate tax can force a farmer to sell off land or machines or take out a loan.
- Estate tax planning is costly and takes away from money that can be invested in the farm in the purchases of machinery and other necessities from local businesses.
- The death of a loved one often requires the remaining family to make some hard decisions. When the deceased is a farm owner, those decisions will determine the future of the operation.
- When estate taxes cost more money than a farm family has, surviving family partners can be forced to sell land, buildings or equipment to keep their operation going.
- Breakdown of a family farm has a large impact. In rural areas, farms are major creators of rural economic development. In areas near urban/suburban centers, farmland sold to pay estate taxes is likely to be developed into housing or commercial use.
- Not only is the estate tax an unfair financial burden, but its timing means it is also an emotional burden on the family of the deceased.

## **Impact on State/Local Government**

- Ohio is in a time of fiscal hardship. Ohio Farm Bureau is aware that repeal of the estate tax will require either additional revenue or additional cuts.
- The estate tax is an unsteady source of revenue, meaning that it cannot be reliably budgeted in most communities.
- Some sources cite that only 6.9 percent of estates are subject to the estate tax. Although they use this to "prove" that those paying the estate tax are wealthy, this figure is not really accurate. Both the surviving spouse, who is exempt from estate taxes, and the estates of children and young adults, who are unlikely to have assets, seem to be included

in that statistic. We are working with interested parties to review the data to come up with a more accurate percentage.

- The opportunity cost of the estate tax can be high. When individuals leave Ohio because of the estate tax, communities lose their economic activity. A recent study in Rhode Island found that for every dollar in estate tax revenue claimed, the state loses \$1.58 in foregone revenue from individuals who left the state and their economic activities.
- The time is right to review necessary changes to reduce local government reliance on estate taxes. This means that we need to look at how we conduct and fund local governments in Ohio.
- The estate tax is fundamentally unfair and harmful to Ohio's farmers. The General Assembly still has plenty of flexibility to fund state and local governments through less punitive and more stable sources of income.

### **Call to Action**

- We need to identify farmers willing to talk about their family farming operations and the estate tax.
- Farmers do not need to talk about their specific financial circumstances in order to be a resource on the estate tax.