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Statement for the Record
U.S. House Ways and Means Committee
“How the Tax Code’s Burdens on Individuals and Families
Demonstrate the Need for Comprehensive Tax Reform”
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Chairman Camp, Ranking Democratic Member Levin, and Members of the Committee, I appreciate the opportunity to share the following op-ed with the committee, which explains why my family business, Sukup manufacturing, is threatened by the Federal Estate Tax.



Estate tax: a sad song for family businesses

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By Eugene Sukup

The recent deaths of Farrah Fawcett, Michael Jackson, Billy Mays and Ed McMahon have many Americans thinking about mortality. If you're a business owner of a certain age, as I am, it's something you think about daily.



Unlike television personalities and performing artists, most business owners labor in relative obscurity. Our legacy, when we pass, is what we've built and perhaps invented—in my case, agricultural equipment most Americans have never heard of—and the hundreds and perhaps thousands of people who depend on us for jobs.

We're unlike television personalities and recording artists in another important respect as well: When we die, the government may lay claim to half or more of our business. Not directly, but through tax policy.

The main asset of recording artists is their "catalogue." The main asset of television and film stars may be residual rights to their movies or shows. The government can't grab these things because they're protected by copyright law and very difficult to value, since no hard assets are involved—such as buildings and equipment—and future value depends on future demand. As Elvis Presley Enterprises has shown, stars can be worth more after they die than while they were living. Or they might not be. Who's to know what the future will bring?

If you're the founder of a business you do know what the future will bring: The government will require the valuation of your business after you die and will require your heirs—in nine months or less—to pay a stiff tax on the value of those assets. And you know, because you have seen it happen repeatedly to friends and acquaintances, that your heirs, to satisfy the taxman, may be forced to break up, sell or liquidate the business you painstakingly built.

The politicians call this the "estate tax" and tell us it's necessary for the public good. As I told the Senate Finance Committee a year-and-a-half ago, I started Sukup Manufacturing Co. in 1963 and patented my first invention more than four decades ago. Today, our company boasts more than 70 U.S. patents (for drying, handling and storing corn and other grains) and is the single largest employer in Franklin County, Iowa, a rural county 90 miles north of Des Moines. Altogether we have 350 employees [now over 500] at our manufacturing facility in Sheffield, Iowa, and at our distribution centers in Arkansas, Illinois, Missouri, Nebraska, Ohio and South Dakota.

My sons are both active in the business. But they know that when my wife, Mary, and I pass, the estate tax will be so severe—estimated at \$15 million to \$20 million at today's tax rate—the business may have to be sold.

If our employees are fortunate a U.S. investor or competitor will buy Sukup Manufacturing and leave the company alone, to continue doing what it does very well.

But we've seen recent trends. When companies like ours are sold they are typically purchased by overseas firms. The technology is exported to overseas factories where workers are paid a fraction of what our workers are paid. The U.S. facility is shut down. Workers get pink slips. Communities die.

If Sukup Manufacturing is fortunate enough to survive our deaths, the government will claim an additional 45 percent [currently 35 percent through December 31, 2012] when our sons die (more, if Congress raises the tax rate, or allows it to increase automatically to 55 percent, as it will in 2011 under current law) [the rate is now scheduled to return to 55 percent on January 1, 2013).

And when their children die it will take another bite until the business finally collapses or some future generation says, "We've had enough."

And all for nothing. According to a recent study by economist Stephen Entin for the American Family Business Foundation, of which I am a member, the economic damage the estate tax does to businesses such as ours—and to the economy as a whole—reduces total tax revenues by more than the estate tax brings in to the Treasury.

The music of Michael Jackson will live on, like Elvis' before him. But our business may not survive our deaths.

Family businesses are the backbone of the U.S. economy, producing an estimated 60 percent of gross domestic product. While bailing out everybody else, government does the opposite to our businesses: taxing us to death.

(Eugene Sukup is chairman of Sukup Manufacturing Co. in Sheffield, Iowa. Copyright McClatchy-Tribune Information Services. All rights reserved. Reprinted with permission.)

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