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This is a Black Tax



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Leonard Harris started Chatham Food Center in Chicago's South Side in 1983. He wants to leave the business to his sons but can't because his family will face an estate tax so huge it will force them to sell off the business just to pay Uncle Sam. He should know. He started his career as a CPA.

Several years ago, the Chicago Daily Defender, the oldest black-owned daily newspaper in the United States, had to be sold by the Sengstacke family, which had owned the paper since its founding in 1905, to pay federal estate taxes.

Unfortunately, many of America's one million black-owned businesses will face a similar fate unless the highly discriminatory tax is repealed. That's because most of these businesses are family owned. And it's the heirs of family-owned businesses – not the super wealthy – who file most estate tax returns.

Supporters of the tax argue that very few families are affected by the tax. But they're wrong. Between 1995-2005, Congress's Joint Tax Committee reported in 2006, estate taxes were paid by more than 37,000 "closely-held businesses," 24,000 family farms, 50,000 limited-partnerships and nearly 28,000 "other" non-corporate businesses.

It's not as if the owners of these catering firms, trucking companies, auto dealerships, print shops, retail stores and restaurants haven't already paid their share of income, sales and property taxes. They have.

Yet, if they are successful enough, the government will demand even more when they die, taxing everything they own, including the house, car, savings accounts, retirement accounts, business equipment, inventory, buildings and land. In other words, any business owner who has managed to climb up the ladder will have his or her family knocked down again. Is that fair? In essence, this is a "Legacy Killer".

The good news is that Congress has an opportunity right now to help minority-owned businesses, rather than hurt them. It is time to end this tax.

While some lawmakers want to keep the status quo and others want to increase estate tax rates, legislators who want to encourage minority business ownership and hiring should support repeal of this damaging tax. Not only would estate-tax repeal encourage black entrepreneurship and stimulate investment in minority-owned businesses, it would also help create new jobs, which would increase federal, state and local tax revenues. As much as \$23.3 billion annually, according to a report for the American Family Business Foundation by economist Stephen Entin, a former Treasury Department official would be received by our national treasury.

The number of new jobs could be significant. Former Congressional Budget Office Director Douglas Holtz-Eakin has estimated that as many as 1.5 million new jobs could be added to the economy nationwide by repealing the federal estate tax.

Yet when it comes to black-owned business, there's another – and perhaps more important – reason to repeal the tax: wealth creation.

One of the ways families improve their lives over time is when one generation leaves money to the next. This is especially important to black families, whose ability to build wealth didn't truly begin until after the civil rights movement. Estate taxes, unfortunately, make it more difficult for this to happen.

A study by Boston College professors John Havens and Paul Schervish several years ago estimated that between 2001 and 2055, the first half of this century, the federal estate tax will wipe out between 11 percent and 13 percent of all African-American wealth. This one tax alone, the BC experts said, would cost African-American households between \$192 billion and \$257 billion. Imagine what that money could do if it was invested in education, businesses, and jobs.

The tax also erodes black purchasing power. According to the Selig School of Business at the University of Georgia, American blacks now have an after-tax spending capacity of nearly \$1 trillion per year. Imagine how much this would increase if Washington didn't grab 45 percent (the current estate tax rate) of everything accumulated by America's most successful blacks – simply because they died. Ultimately the federal estate tax is one of the main obstacles to wealth creation and entrepreneurship in black America. If we believed in conspiracies we might even call it a black tax.

Nothing less than repeal of the estate tax will empower minorities, as well as all Americans, to continue to contribute fully to the economy, while working to achieve their dream. We need to educate (yes educate) our congressional representatives that taxes for taxing sake isn't good policy for our communities. The more tax they rake in; the more stupid money they spend for "mark ups" and "pork barrel" projects. We don't need any more buildings named after them. We want less taxation so that we can begin to build our wealth and pass that along to our children and grandchildren. It is time to act responsibly in Washington, DC.

Mr. Alford is the co-founder, President/CEO of the National Black Chamber of Commerce®. Website: www.nationalbcc.org. Email: halford@nationalbcc.org