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Editorial

Death tax squeezes smaller companies

THE supporters of the **death tax** portray it as an egalitarian measure that taxes only the rich. But its effect in the real world of business is to squeeze middle-sized companies into selling out to bigger ones.

Consider who is motivated enough to attend the **death-tax** repeal meeting in Washington, D.C., to ask for final passage of **death-tax** repeal in the Senate. Not Boeing or Microsoft. Going from here are the Greater Seattle Chamber of Commerce and owners of three businesses: The Seattle Times; Wild Ginger, an Asian restaurant; and GM Nameplate, a local maker of labels and graphics. The GM everyone knows is not there, but a trade association of car dealers is. Qwest is not there, but a little phone company from Niagara, Wis., is. Big agribusiness is not there, but the Farm Bureau is.

What is our beef? Think of the ordinary property **tax**, which extracts roughly 1 percent of the value of a home per year. A homeowner cannot shave off 1 percent of his land and buildings and mail it in. The **tax** is payable in cash. One percent can be painful.

Imagine, then, 47 percent. That is the top rate of federal **tax** on estates. It exempts the first \$1.5 million in value, but after that it rises to 47 percent very quickly.

There are ways to face this **tax**. Bill and Melinda Gates gave away much of their holdings to a foundation. They never will face passing control of Microsoft to their children. It's not that kind of company.

Another way to face the **tax** — actually, a way to pay it — is to buy lots of life insurance. That is also why the biggest supporter of the **death tax** in Washington, D.C., is the life-insurance industry.

We understand that. At least the life insurers know what their interest is. We do not understand the Senate's progressives, who imagine that by forcing the sale of family companies to out-of-state corporations they are helping the little guy.