



Summary Report

Policy and Taxation Group
100+ Executive Interviews of
Hispanic Family-Owned Businesses
Prepared for Ms. Patricia Soldano

May 5, 2004

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Summary Report of Five-State Executive Interview Study of 100+ Hispanic Family-Owned Businesses on Federal “Death Taxes”

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Primary Objectives

Policy and Taxation Group asked *Impacto* Group LLC (“Impacto”) to conduct a comprehensive assessment of Hispanic family-owned business owners to understand their attitudes and predispositions on a variety of public policy issues related to Federal estate taxes, which are now known as “death taxes.” The objectives of this research were the following:

- Understand Hispanic family-owned business owners’ awareness about “death taxes;”
- Determine Hispanic family-owned business owners’ opinions about the fairness of this tax, and ascertain what they perceive to be its economic impact on building wealth or growing their businesses;
- Gain insight into what preparation has been taken in anticipation of the tax; and
- Assess the political IQ of Hispanic small-business owners and gauge their commitment to get involved in legislative or political processes related to Federal estate taxes.

Methodology

To meet this goal, Impacto interviewers conducted 154 interviews from April 7-24, 2004, among likely voters of Hispanic descent who had family-owned businesses. Two surveys were conducted via telephone in five states: Arizona, Nevada, New Mexico, Florida and California. The first study consisted of a 45 to 60-minute one-on-one executive interview with 100 respondents using both qualitative and quantitative research components. This was combined with a second 13-minute quantitative supplemental survey conducted among 54 respondents. The small, homogenous sample size of N=154 yielded a margin of error of +/- 7.9 at the 95% confidence level.

	Arizona	Nevada/California	New Mexico	Florida
Number of Interviews	37	40	37	40



Survey candidates were recruited from a sample obtained by random-digit dialing Hispanic/Latino business owners. Additional recruits were gathered from respondents' circle of contacts. Each respondent was screened and recruited based on the following additional criteria:

- Intend to vote in the 2004 election;
- Were owners of family-owned businesses;
- Were self-identified as being of Hispanic descent, defined as Mexico or Latin American origin; if born in the U.S., parents must both come from Mexico or a Latin American country;
- Mix of businesses (in terms of age, size and type);
- Mix of self-identified Republicans, Democrats and Independents ;
- Mix of men and women; and
- Earned an annual household income of \$20,000 or more.

Once candidates were cleared, those scheduled to participate in the comprehensive one-on-one interview were guaranteed a stipend, which varied from \$50 to \$100. The highly-trained interviewers selected to conduct this research were given specific training regarding Federal estate taxes to allow them to speak with respondents in a conversational "peer-to-peer" way.

QUALITATIVE INTERVIEWS

One hundred executive interviews were conducted April 7-24, 2004. These interviews were selected to represent a variety of company sizes, types, genders, political preferences and family types. An extensive schedule of questions was used to ensure that accurate and comparable quantitative and qualitative information was gained. After 21 interviews were collected to determine basic trends and flow, the survey was programmed into a CATI environment to facilitate efficiency and ensure statistical comparability. (Note: only eight qualitative interviews were conducted in California.) Each survey was conducted in English and recorded in its entirety.

SUPPLEMENTARY QUANTITATIVE DATA

An additional 54 completes were collected to provide a larger representative sample. These surveys were quantitative in nature and collected primarily to add statistical validity to percentages represented in this report. They represent data collected from April 13-18, 2004. Trends and patterns in the qualitative versus quantitative surveys were highly consistent. The demographic composition of these two groups was also statistically identical.



Key Findings and Representative Quotes

Overview

“It [death tax] affects everybody. If I shut down my business, it puts 18 families on the street. These families would then become dependent on the government for support, and it would increase the problem—not solve it.”

—Hector J., manufacturing service and engineering contracting, Nev.

- A majority of respondents have only a limited awareness and understanding of Federal estate taxes, and those who understand the tax implications believe it is a high priority to better educate the Hispanic community.
- Since many respondents were not truly aware of the “death tax” and its economic implications, they expressed surprise and deep frustration in learning about its potential impact on their businesses and families.
- Respondents were more stunned and concerned with the percentage of the “death taxes” (41%-49%) than with the amount of the lifetime exemption, though many believe the \$1M exemption is low. Nearly half of the respondents expressed that the 49% Federal tax rate was out-of-line or “ridiculous.”
- When asked directly, 20% of Hispanic family business owners said they would sell their business or property early to provide liquidity to pay the [death] tax.
- One third (36%) of respondents believe they can escape “death taxes” by taking their assets out of the country before their death.
- Almost three-quarters (74%) of respondents disagree with the statement: “The ‘death tax’ does not affect me—only the wealthy.”
- Four out of five respondents (81%) feel wealthy individuals are able to avoid “death taxes” by hiring lawyers and accountants to take advantage of loopholes.
- Since a majority of respondents were not *truly* knowledgeable about “death taxes” or how and when they applied, an overwhelming majority began to adamantly oppose “death taxes” after they learned about the percentage rate and the lifetime exemption amount.
- Half (50%) have heard of people experiencing hardships due to lack of preparation for “death taxes,” and many speak of “selling off” their equipment and businesses as a customary way to pay the tax.
- Seventy-one percent (71%) of Hispanic family-owned businesses would vote for someone who argued “death taxes” should be eliminated, over a candidate who believes the tax is fair because it targets only the rich.
- Four out of five respondents (81%) are motivated to take action on the “death tax” issue, e.g., meet with financial planners, write a letter to Congress, etc.



General Views on Tax Cuts and Spending

“Look, you are paying taxes all of your life. Then you die and Uncle Sam comes to the door and says, ‘guess what?’ It is like being in double jeopardy in court. The law-abiding citizen spends his life being innocent and is then charged guilty when he dies.” —Ernesto R., auto parts, Fla.

As a whole, Hispanic respondents view their obligation to pay taxes as part of their civic duty; yet they tend to be overwhelmed with the amount of taxes they pay. As business owners, they would like to see their taxes reduced or at least not pay taxes they perceive as duplicative or unnecessary.

Overall, 79% of respondents *somewhat* or *strongly agree* their business is overtaxed, and they do not want to pay additional taxes.

Figure 1: Views on Taxes



Stimulating the Economy

When it comes to stimulating the economy, respondents overwhelmingly believe (68%) tax cuts are more effective than increased government spending (26%). Eighty-six percent of respondents feel taxes should be reduced for lower and middle class families. Almost half (48%) believe all Americans deserve reductions in their taxes.

Awareness of “Death Tax”

“I have to hold some of my money back for it [death tax], so I haven’t been able to expand as much as I could.”—Carlos A., wholesale auto parts, Fla.

A great majority of respondents have only a limited knowledge of “death taxes;” although a large percentage said they were familiar with the issue, less than 5% have “significant” knowledge of the topic.

- A majority (60%) were familiar with Federal estate taxes to some degree, with just over half (54%) of respondents familiar with the actual term “death taxes.”

Overall, the trends between different sub-groups were very similar. These similarities are *not statistically significant* but may indicate trends that could be investigated in future research:

- Business owners in New Mexico were the most likely to be aware of Federal estate taxes (64%), while respondents in Nevada/California were the least likely to be aware (56%).
- Men were more likely to be aware (63%) than women (55%).
- People with children are more likely to be aware (61%) than people without children (50%)
- People under the age of fifty were less likely to be aware (50%) of “death taxes” than people 50 or older (76%).

Respondents shared a varying degree of understanding about the tax issue. They were uncertain, or cited incorrect information about the amount of the tax [tax rate], who paid it, when it was due, what qualified as part of their estate [value], the amount of the lifetime exemption, and what could be done to prepare for the tax payment.

A majority of respondents lack first-hand experience with “death taxes,” nor do they have familiarity with the economic implications for family-owned businesses. Some of the reasons for this trend include a majority of Hispanics being the first generation to own a business and their knowledge of the tax laws is derived from the experiences they had in their country of origin. A majority of Hispanics were outraged more by the rate of the tax than the lifetime exemption amount of \$1M, even though there was general feeling the exemption amount was too low.

Most of the participants who were aware of the tax prior to the interview were opposed to it from the beginning. Business owners repeatedly indicated the tax was double taxation or just generally too high. In general, however, as the topic of “death taxes” was discussed respondents became more frustrated with Federal taxation in the aggregate. “Death taxes,” whether expected or unexpected, were viewed literally as the last fatal blow.

The longer the topic of “death taxes” was discussed, several respondents became increasingly concerned and agitated about its implications on their business. While several indicated they were willing to pay taxes, they expressed bitterness about the tremendous amount the government required at the time of death.



Many respondents changed their attitudes about the “death tax” after they became educated:

(Early in the survey)

“We live in the greatest country on earth and to my knowledge we have more opportunities than anyone else to succeed, so I feel the taxes are deserving to the government.”—Carlos S., N.M.

(Later in the survey)

“People don’t have that kind of money. . . If they inherit from their father and have to pay the 40% of the value, where is that money going to come from? Most families use the life insurance to pay off the mortgage, so that the mother isn’t left with a house she can’t pay for. It just seems totally unfair to me. I never even knew about that.”—Carlos S., N.M.

Still others—upon learning of the tax—became suspicious of the government. Said, Susan G., a mortgage financier in California: “Just the fact that I didn’t know there was a ‘death tax’ makes me motivated to find out about other taxes there may be out there.”

Issue of Fairness

“I never thought about it percentage-wise . . . I’m opposed to anything over 10%. Only God asks for 10%, everyone else asks for an exorbitant amount.”—Toni M., general construction, Ariz.

In total, 83% of the sample agrees taxes are *completely* or *somewhat unfair* (completely unfair (64%), somewhat unfair (19%)). The trends between different sub-groups were very similar. The following points were *not statistically significant* but may indicate trends that could be investigated in future research:

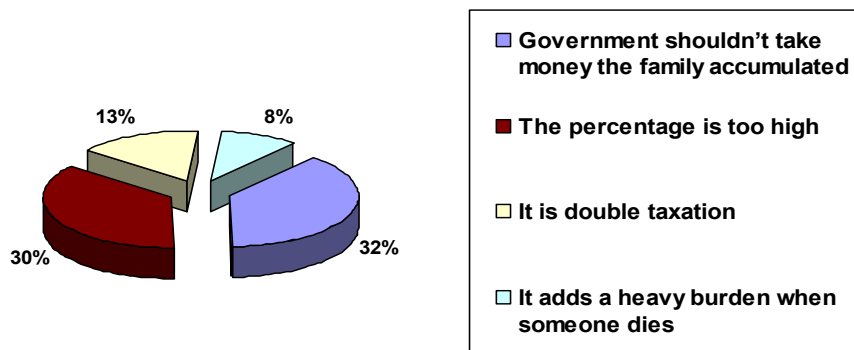
- Men (86%) more often think “death taxes” are unfair, compared to 78% of women.
- Florida respondents are most likely to find “death taxes” unfair (88%), while respondents in Arizona were least likely to find the tax unfair (81%).
- Respondents with businesses less than 10 years in age were less likely to feel the “death tax” was unfair (79%), while those who had been in business for longer 10 years or older were more likely to find the “death tax” unfair (86%).

Respondents who believe the tax is unfair were asked to explain their decision. Overall, respondents believe a fair level of taxes has already been collected. They agree they have worked hard to create a legacy to pass on to their children, not to the [Federal] government.



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The Most Verbalized Reasons “Death Taxes” are Unfair:



Q. If you think it's [death taxes] unfair, then why?

Almost three-quarters (74%) of respondents *somewhat* or *strongly* disagree with the statement: “The ‘death tax’ does not affect me, only the wealthy.” Four out of five respondents (81%) feel wealthy individuals will be able to avoid “death taxes” by hiring lawyers and accountants to take advantage of loopholes. Although some respondents had personal experience to base their opinion on, others had suspicions based largely on hearsay and speculation.

When questioned about sustaining Federal estate taxes for exceedingly wealthy individuals, e.g., Bill Gates, Oprah Winfrey, the respondents maintained the tax was unfair regardless of amount of wealth attained.

Almost three of four respondents (73%) agreed the amount of wealth should not matter when determining who should pay the tax.

“We should do what we can to encourage the most productive and successful members of society; not discourage them with large taxes.”

— Richard A., beverage distribution, Ariz.

Effects of “Death Taxes” on Small Businesses

“I think it's [estate tax] too severe. Often times estates have to be liquidated to pay the taxes, and literally nothing is left for the heirs . . . Entrepreneurs are penalized for dying.”—Harold M., N.M.

Overall, respondents from the Hispanic family-owned businesses now recognize the impacts of “death taxes” on their businesses. They are aware of the hardships experienced by the unprepared. It is worth noting that some entrepreneurs, upon learning about the “death tax,” are reconsidering their career choice.



“Now that I’ve heard this [about death taxes] I’m not interested in working self –employed anymore. I would prefer to work for someone else. That’s why I think too many businesses are going bankrupt.”

— Bernardita R., professional services, N.M.

“I am terrified. Now I have to start planning for it [death taxes]. Is it worth it to own a business?”

— Janet C., real estate appraisal, Calif.

Though many respondents were not well informed about the “death tax,” two out of three (66%) respondents say the tax is affecting their ability to meet their company’s goals and objectives by distracting their attention (23%), wasting the resources (11%), etc. The specific effects of the tax vary. In some cases, expansion is delayed, debt is accrued or resources are re-directed. In other instances, respondents said they have taken action but feel the “death tax” will bring their business to an inevitable end.

Although few respondents had personal experience with the Federal estate taxes, half (50%) have heard of people experiencing hardships due to lack of preparation for “death taxes,” and many speak of “selling off” their equipment and businesses as a customary way to pay the tax.

- When asked: “Q5. *These are ways folks have gathered the money to pay for the tax: Life insurance proceeds would be used; the business would borrow money; all or part of the business would be sold off; or plans for expansion, substantially curtailed or abandoned altogether. Do you plan to use any of these methods?*,” they responded as follows:
 - Over one third (36%) mentioned the use of life insurance to help pay for “death taxes;”
 - One out of four (25%) would sell off part of the business to cover the tax;
 - 10% would have to delay expansion of the business to compensate for the tax;
 - 11% percent mentioned borrowing money; and
 - 17% mentioned a general willingness to use any of the approaches and a few respondents would not use (or didn’t know if they would use) any of those approaches (19%). (Note: Due to the overlap, the total sum exceeds 100%, which is common with these types of questions.)

Hispanic Community

Over three-quarters (76%) of respondents agree this is an important issue to the Hispanic community. Sixty-two percent believe there is a sense of urgency in the Hispanic community to address the issue—but it also affected the larger U.S. population. Lack of information about Federal estate taxes was identified as the most important factor causing the greatest concern.

Preparation and Knowledge of Tax

“I don’t plan on dying.”—Jorge H., automotive parts, Fla.

The Hispanic business owners shared a strong sense (70%) that the day-to-day activities of running a company are more important than preparing for taxes, which are years away. Even after learning about “death taxes” many will still focus on the “here and now.” Some are convinced they do not need to prepare because their estate will never get large enough to exceed the lifetime exemption. Overall, 49% claim to be prepared to deal with “death taxes” if the principal owner of the company died today.

The trends between different sub-groups were very similar. The following points are *not statistically significant* but may indicate trends that could be investigated in future research:

- Respondents in New Mexico were the most likely to report they were prepared for the “death tax” (60%), compared to respondents in Nevada/California who were the least likely to be prepared (40%).
- 53% who had children were prepared, compared to 17% without children.
- Men (54%) were more likely than women (39%) to be prepared to pay the tax.
- Respondents 50 years old or older were more likely to have prepared (61%) than respondents under the age of 50 (41%). Eighty-two percent of those 60 years old or older are prepared. In fact, the oldest 11% of our interviewer base (ages 63 to 79) were prepared. The findings suggest individuals eventually prepare for “death taxes.” *The greatest risk may be in preparing for unexpected death.*

Preparation Versus Knowledge of the Tax

The traditional logic that “people only prepare for the tax if they are aware of it” failed to accurately describe the respondents. In the following section, we will explore the interaction between awareness and preparedness, and in particular, focus on a group of individuals who said they were prepared for “death taxes” in one instance, and that they were “unaware” of the taxes in another.

The rate of preparedness varies greatly with respondents’ general awareness of Federal estate taxes. Among those aware, 60% are prepared to pay the tax. Two-thirds (68%) of respondents who said they were not aware of “death taxes,” are not prepared to pay the tax. Accurately identifying who is “prepared” might be somewhat distorted for three reasons:

- Respondents may believe their other financial preparations will encompass the needs of the “death taxes,” i.e., using retirement savings, etc. In that way, they feel they have are unknowingly prepared to pay the tax, even though this is the first they have heard of it.
- Some respondents may have actually been formulating a plan while participating in the interview; and



- In some cases, the question “Are you prepared to pay ‘death taxes?’” is interpreted as “Are you *willing* to pay ‘death taxes?’” As previously noted, most respondents view paying taxes as an important part of their civic duty.

Aware of estate taxes and prepared (36% of total)

Over a third (36%) are aware of the tax and have taken steps to prepare. These family-owned businesses seem to use one or two general strategies. Either they find ways to avoid the tax by using trust funds or other legal maneuvering; or alternatively, they plan to have the resources to pay the tax by using insurance policies, etc.

“The family would be prepared because I have a life insurance policy that is there for that reason to make sure they are able to carry on and take care of things.” — Carlos F., real estate & mortgage, Ariz.

“My son would keep the assets because he works out of here too. I think my son would be prepared to pay the tax because he has invested [wisely]; he makes money.” —Adela W., blinds, N.M.

Aware of estate taxes but not prepared (24% of total)

Just under one quarter (24%) of those interviewed are aware of the “death tax” but have not yet started to prepare. They anticipate the worst (liquidating their business) but are often too busy to start the preparation process.

“All my assets would go into my estate. They [family] would not be able to pay the tax, really, only because they aren’t ready for it. It would just be a cash flow problem; but if they got my assets, then they could sell off whatever they needed to pay the tax.”

—Mario R., real estate, Ariz.

Not aware of estate taxes but claim to be prepare (13% of total)

Only 13% of respondents feel prepared for “death taxes,” even though they indicated *no* awareness of “death tax” at the beginning of the interview. They have contingency plans in place to help cover the “death tax,” even though they did not specifically plan for that purpose.

“We’re so small that if I die, I told them to sell everything and give it to the kids. Other companies have estate sales; we could have one of those.”

— Jose M., construction, Calif.

“I have life insurance for me. In case anything happens to me, it’ll all go to my family. But I didn’t do it for the ‘death tax.’”

—Susan G., mortgage financing, Calif.



Not aware of estate taxes and not prepared (27% of total)

Just over one quarter (27%) of respondents were not aware of the “death tax” at the beginning of the survey, and they recognized they were not prepared for the tax burden. This group is in the greatest jeopardy of losing their businesses.

“Well, my family won’t have a clue what to do, but I’m sure a family friend who is an attorney or accountant would help. That’s the nature of the culture, someone would help them figure out what to do...I know my parents won’t have a clue, but I’m inclined now to tell them about this, that’s for sure.”

— Oscar E., pharmaceutical manufacturer, Fla.

Respondents were asked: “How much has your business spent on preparing for the death tax in the last five years? Did you consult with an attorney or estate planner; pay life insurance premiums, or incur other internal costs?” The results follow:

- A majority of Hispanic family-owned businesses have already taken a variety of measures to prepare for “death tax;” however, almost half (45%) have not yet taken steps to protect their business;
- One in four (25%) mentioned working with a consultant or attorney to prepare;
- Almost a third (32%) have set up a life insurance program to deal with these taxes; and
- 30% have spent money in some way to prepare for the tax.

When asked: “Knowing that your children would pay a 49 percent tax, would you sell your business or property early to provide liquidity to pay the tax; or would you try to find some other alternative?,” **one in five (20%) respondents mentioned selling their business early to avoid “death taxes.”** This becomes an attractive option to business owners because it allows them to spare their family the trouble of scrambling to sell assets to acquire enough financial resources.

One third (36%) of Hispanic family-owned businesses agree they could escape “death taxes” by liquidating their assets and moving their wealth abroad prior to their death. Although many respondents have patriotic and moral objections to retiring in another country, this percentage is ready take any measures necessary to avoid “death taxes,” including relocation.

Candidate Perspectives (Appeal of Messages to Latino Audiences)

***“I would support any candidate, Democrat or Republican that opposed the ‘death tax.’”—
Harold M., N.M.***



The candidate who espoused an anti-tax position showed significantly more support than the pro-estate tax candidate. Most of the respondents clearly identified with him, feeling he best represented their position or he was “looking out for small business.”

In addition, to further support this data, of the 83% of respondents who believe estate taxes are *completely* or *somewhat* unfair, 74% selected a candidate who supported the elimination of the “death tax.” Twenty-one percent of respondents who believe the “death tax” is unfair selected a candidate who supports reducing the tax rate to 15% with an increase in the lifetime exemption to \$10M.

Question: Elimination of the “Death Tax” or Status Quo

In this scenario, Candidate Jones represented a position that favored the full elimination of “death taxes,” while Candidate Smith defended their existence.

- Seventy-one percent (71%) of Hispanic family-owned businesses would vote for someone who argued “death taxes” should be eliminated, over a candidate who believes the tax is fair because it targets only the rich.
- Regardless of Party affiliation, respondents equally opposed “death taxes.” Several respondents expressed more right-of-center political viewpoints through the course of the interview.
- Statewide support for Candidate Jones varied as follows: New Mexico (76%), Nevada/California (75%), Florida (68%) and Arizona (65%).

Taking Action

“The government should want companies to keep growing so families can keep it going, not give all the money and half the company to the government for taxes.”—Ricardo O., Fla.

One of the most astounding items pinpointed by the survey is the large percentage of respondents who would take action once they became more informed about the tax issue, especially considering the limited nature of the Hispanic community to significantly engage in a political process. For those respondents who were aware of the tax implications, they assumed their alternatives were to meet with financial planners and/or buy life insurance. These individuals did not immediately think of exerting political influence or engaging in a public policy debate on the issue. However, as these individuals and those with limited or no knowledge of Federal estate taxes learned about the actual percentage rates and lifetime exemption, they began to express a strong interest in finding many ways to protect their family assets.

- Four of every five Hispanic family business owners (81%) are motivated to take action on “death taxes.”
- When asked to identify actions they would take: 68% reported they would vote for a candidate supporting their views; 55% would speak with other business owners; 52% would meet with financial planners; and 51% would write a letter to Congress.



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- When provided with a list of potential actions to select: 100% said they would vote for a candidate supporting their views; 89% would speak with other business owners; 84% would write a letter to Congress; and 66% would meet with financial planners.

“I would like to see more information on it. I would like to see it debated at the highest political levels, as a very serious discussion between the two parties . . . which I am afraid is not going to happen. . . . I am not sure I would get out in the street and march, but I need to pay attention to it. This election in my heart I feel is a very serious long reaching election, so I need to become more concerned and informed.”—Robert A., consulting and distribution, Nev.



Appendix I In Their Own Words: Notable Quotes

Knowledge of Tax

- *“I didn’t know it was 41 or 49%. That’s outrageous.”—Roger C., plumbing, heating, air conditioning, N.M.*
- *“I didn’t know the percentage was that high. [I thought it was more] like maybe 15%, no more than 25%.”—Erica F., Mexican restaurant, Ariz.*

Awareness within the Hispanic Community

- *“Hispanics have a hard time of understanding the IRS. It’s sad ‘cause the higher you go the more access you have to information about how to protect your assets, so Hispanics don’t have much access to that.”—Gladis D., Fla.*
- *“I think that most Spanish that own a business, they are not even informed of the situation, or what happens when the owner dies, and how they are going to have to give 45% to the government.”—Pedro M., Spanish radio station, Ariz.*
- *“I think the biggest problem is we’re [Hispanic business owners] not aware of it in general. I think it would be a huge issue if everyone were aware of it.”—Thomas L., Internet-based retail, Ariz.*

Preparation

- *“I would have to sell everything. . . . We have a lot of debt. Everything would go to taxes and debt collectors and there would be nothing left.”—Johanna T., N.M.*
- *“I am hearing this more and more. . . in the news how someone passes on and they are not aware of the tax. The children/grandchildren have a hard time getting the money. They end up losing the business and not having any income. This increases government spending taking care of these people and helping them get back into the labor pool.”—Celia C., accounting/tax services, N.M.*
- *“I am trying to make sure the estate is within the limits, that includes working hard to keep my business small rather than expanding.” — James M., restaurant owner, N.M.*
- *“Money that could be spent on improvement is spent on lawyer fees. This creates less payroll because the money cannot be used for employees but has to be used for the tax.”— Celia C., accounting and tax services, N.M.*
- *“[I] have not prepared for anything—can’t afford it. We’re barely making it. Maybe once we get out of debt we can take a look at our options . . . Right now I’m just stressing out on trying to build the business.”— Johanna T., N.M.*



- *"It seems to me that if I don't take care of the business today, there's not going to be anything later on to worry about. The business is everyday."*—Joe G., construction, Nev.
- *"You only have so much time to run a company, and you use most of that time concentrating on the present, not the future."*—Gladis D., Fla.
- *"[Death tax] affects me now and the future of my business by creating a diversion of my attention and resources from places where that would be productive to places that are unproductive."*—Richard A., beverage distribution, Ariz.
- *"They would have to end up selling off all the equipment and things like that which would probably end up killing the business."*—Antonio G., graphic design, Ariz.
- *"I would definitely not want to leave them with the tax. I'd figure out another way to free them from that. But you never know when you are going to die. It is a tough question—I'd rather sell my business and invest the money in their future before I die."*—Carlos S., auto collision repair and painting, N.M.
- *"I have buy-sell agreements in place. I have multi-charitable trusts in place so the estate would pretty much stay intact. The family would absolutely be prepared to pay the tax. I also have term life insurance."*—Frank A., investment services, Nev.
- *"I would hunt down the best tax lawyers before I die and I would put everything in a shelter from the IRS, and it would hide my assets. In our case, we might donate to institutions because we don't have kids and the rest of the family is comfortable."*—Gladis D., Fla.
- *"A family that has worked for 60 years and the matriarch passes away, you have 60 years of hard sweat from the family taken away. It is wrong. It is stealing money."*—Ernesto R., auto parts, Fla.

Moving to Mexico to Avoid the Tax

- *"It is mine. I earned it, and selling it off should be my decision, Taking the assets where I want should be my decision. The government should have no dips on it."*—Ernesto R., auto parts store, Fla.
- *"You are leaving the country. You are not longer here. So why should you have to pay the taxes?"*—Fernando A., jeweler, Ariz.
- *"I already know a lot of people that are doing it in retirement, packing up and moving and opening small businesses because it's cheaper out there and they don't have to loose anything and their families can still gain whatever their making out there with their retirement."*—Evelyn A., plumbing, heating and cooling, N.M.
- *"I believe that money should be mine and if I want to got to the moon with my money, I should be able to...it's mine."*—Orestes L., construction-masonry, Fla.



Fairness

- *“The government has not gotten up early with me to go out and earn this money, why should they be entitled to it?”*—Roger C., plumbing, heating & air conditioner, N.M.
- *“I believe in fair taxing, I would agree with a tax, but I don’t agree with the amount.”*—Robert A., consulting and distribution, Nev.
- *“You work all your life to give your children a future, and then lose it right there [at your death].”*—Felix A., computer consultant, Fla.
- *“Why do my kids have to pay tax? . . . That’s not fair. That’s why we work. We work for our kids. I work for my kids to go to college---I pay taxes on that. Now they want more tax?”*—Johanna T., N.M.
- *“I am appalled that an entire tax system can expect that anytime something in a family is transferred they can think it is fair to give half of it to the government.”*—James E., consulting services, Nev.
- *“A business usually starts from the ground up; those people have so much put into it, even the children. They have a good thing going; then the government still gets a portion. The government is gluttonous. . We’re not given a break, and to have a family business destroyed because the government wants 49%? Government is too involved. How are these people supposed to keep going? But our kids . . . have to work just as hard to pay the taxes and get out of the hole again.”*—Toni M., general construction, Ariz.
- *“You pay taxes all right. I pay taxes the whole year. I pay property taxes, and sales taxes, and personal taxes. I bought my business from a corporation, so out of what I make I pay, pay, pay and pay. And in the end if I’m lucky I can keep 25 or 20 cents on a dollar. I don’t think that’s fair. and then I work all my life and I save, and in the end my kids still have to pay. Then when I pass over they still have to pay. I can not even own what I have. I can only own maybe 45 percent of what I have, because of what I am able to give to my kids.”* —Pedro M., Ariz.

Effects in the Hispanic Community

- *“We need to be educated about this. It’s not well known enough. We need people who are knowledgeable about this to educate the Hispanic community and especially the small business owners.”*—Javier A. construction company, Ariz.
- A lot of them [Hispanics] come in without knowing the laws. They don’t understand them, and they are not familiar with them—just like me.” —Marko V., computer repair, Nev.



Willingness to Pay Tax

- *"I pay an employee's taxes, then my payroll is also taxed, then my profits are taxed. Tax, tax, tax. That's all I do—pay taxes. Even when I die they'll take it away from me."*—Oscar E., Pharmaceutical Manufacturer, Fla.
- *"I already pay taxes. They already equal the first three months of income for the year. So for the first three months of the year, I am working for the government."*—Fernando A., jewelry manufacturing, Ariz.

Thoughts on Candidate Perspectives Jones v. Smith

Question: Elimination or Status Quo

- *"The view of Jones is clear, unequivocal and accurate."*—Richard A., Ariz.
- *"I agree with Jones - it shouldn't even exist and it is just too much. Even if someone is very successful you cannot save the 49%. I think it would be better if we could save and expand our business."*—Martin C., hauls freight, N.M.
- *"Candidate Jones wants to abolish the taxes and I agree. It hurts small business."*—Orestes L., construction masonry, Fla.
- *"Smith kept saying that the rich can avoid paying taxes. It's the wealthy five percent that actually keep the country going, but they also need some kind of a legal way to bring the money back and invest it in something else, and empower more people."*—H. R., collection agency, N.M.
- *"I'm an entrepreneur and I always worked for everything I have and by proper planning and if we don't have to worry about these things we are able to work harder without the fear of having our things taken away. I don't think the government owes me anything, and I don't want a handout—just a hand [up]."*—Carlos F., real estate and mortgage, Ariz.
- *"I think the Republican Party treats the business people more fair than the Democratic Party. That's why I like Republicans in office; they're more in tune with the needs of small business persons to try to avoid taxation."*—Armando A., real estate development, N.M.

Are Only Wealthy Individuals Impacted by "Death Taxes"

- *"Especially someone like myself with a middle class income. It affects us more than it does the rich people. They can afford it easier. We can't afford it."*—Fernando A., Ariz.
- *"I know for a fact there are several things you can do with your money that will shelter it from those types of taxes but you must have a lot of money to do those things."*—Edmundo Z., engineering and consulting, Ariz.

Appendix II Respondent Profile

- Of the 154 completed surveys, four states were represented:
 - Arizona 37 interviews
 - Florida 40 interviews
 - Nevada/California 40 interviews (32 Nevada and 8 California)
 - New Mexico 37 interviews25 surveys in each region were qualitative, in-depth studies. The remaining 54 were supplementary quantitative data.
- All respondents have family-owned businesses, are of Hispanic descent and are likely to vote in the 2004 election. These interviews represented the service industry (23%), manufacturing (10%), retail (18%), professional services (32%), and other businesses (17%). They have been in business for an average of 14.5 years and have an average of 8.6 employees each.
- Gender Breakdown: Male respondents (69%); female respondents (31%).
- Country of Origin: Mexico 36%; Spain 17%, United States 12%, Cuba 19%, Central or South American 11% and Puerto Rico 5%.
- Longevity: 40% are the first person in their family to own their own business. Seventy-one percent hope to pass the business to their children.
- Marital Status: 91% have been married (71% being married at the time of the interview), and 88% have children.
- Political Affiliation: Republican (39%), Democrats (34%) and 27% have no preference.



Appendix III Frequency Distributions

Do you think Death Taxes are...?

N =	154	100%
Completely fair..... 4	7	5%
Somewhat fair..... 3	15	10%
Somewhat unfair..... 2	30	19%
Completely unfair..... 1	98	64%
DON'T KNOW/REFUSED (DNR)..... 9	4	3%

Is this an issue that matters to the Hispanic community?

N =	154	100%
Strongly agree..... 4	87	57%
Somewhat agree..... 3	30	19%
Somewhat disagree..... 2	12	8%
Strongly disagree..... 1	14	9%
Don't Know/Refused..... 9	11	7%

Now I would like to understand how you feel about the following statements. I'm going to read you a series of statements and I would like you to tell me whether you agree or disagree with the statement and whether you strongly or somewhat agree

- (1) If I move out of the country before I die (for example move to Mexico) and take my assets out of the country, I won't have to pay a death or estate tax

N =	154	100%
Agree Strongly..... 4	37	24%
Agree Somewhat..... 3	18	12%
Disagree Somewhat..... 1	28	18%
Disagree Strongly..... 2	42	27%
Don't Know..... 9	29	19%

- (2) The Death Tax does not affect me only the wealthy

N =	154	100%
Agree Strongly..... 4	19	12%
Agree Somewhat..... 3	16	10%
Disagree Somewhat..... 1	24	16%
Disagree Strongly..... 2	90	58%
Don't Know..... 9	5	3%



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(3)	Running my business today is more important to me than planning for taxes in the future		
N =	.....	154	100%
Agree Strongly	..... 4	71	46%
Agree Somewhat	..... 3	37	24%
Disagree Somewhat	..... 1	18	12%
Disagree Strongly	..... 2	22	14%
Don't Know	..... 9	6	4%

(4)	Wealthy individuals have the resources to hire "good" lawyers and accountants that allow them to take advantage of tax loopholes and avoid paying these taxes		
N =	.....	154	100%
Agree Strongly	..... 4	99	64%
Agree Somewhat	..... 3	25	16%
Disagree Somewhat	..... 1	3	2%
Disagree Strongly	..... 2	20	13%
Don't Know	..... 9	7	5%

(5)	I believe my business is overtaxed as it is and I don't need to pay additional taxes		
N =	.....	154	100%
Agree Strongly	..... 4	94	61%
Agree Somewhat	..... 3	28	18%
Disagree Somewhat	..... 1	15	10%
Disagree Strongly	..... 2	15	10%
Don't Know	..... 9	2	1%

How much would you agree with the statement, I am motivated to take action on the "Death Tax" issue? **(Qualitative Survey)**

N =	.....	100	100%
Strongly agree	..... 4	58	58%
Somewhat agree	..... 3	29	29%
Somewhat disagree	..... 2	4	4%
Strongly disagree	..... 1	8	8%
Don't Know/Refused	..... 9	1	1%

Would you be motivated to take action on the "Death Tax" issue? **(Quantitative Survey)**

N=	.....	54	100%
Yes	..... 1	38	70%
No	..... 2	13	24%
Don't know / Refused	..... 3	3	6%