

Encouraging news for family business

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Following in the wake of the federal government's federal estate tax reform is the Ohio legislature's attempt, via House Bill 3, to completely eliminate the Ohio estate tax. Under the current law, notwithstanding the federal government's exempting \$5 million of assets from federal estate taxation, Ohio levies a state estate tax on each individual whose net worth is greater than \$338,333 at his or her time of death (double that for spouses who plan appropriately).

The rates are graduated, but eventually top out at 7 percent. HB 3, if passed, would simply do away with that tax for any individual who died on or after Jan. 1, 2013.

This is a particularly important piece of legislation for our area as farmers are among the classes of people who are the hardest hit by



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Ohio's existing estate tax regime. To borrow some statistics from the Ohio Farm Bureau's recent Issue Briefing on HB 3, on average, 84 percent of an average farmer's assets are held in plant, property and equipment — all illiquid assets that would be meaningful to the next generation in order to keep a farm operational. Further, as the Issue Briefing points out, even if we assume an extraordinarily conservative valuation of farmland at \$3,900 per acre, the \$338,333 would only exempt 87 acres of land, while the average Ohio farm size is 184 acres. In short, absent some form of gifting, valuation discounting, or other trust planning, the typical Ohio farmer is going to wind up generating a significant tax bill with assets that cannot be sold if the farmer hopes to transition a productive operation to the next generation of his family.

The difficulty that the Ohio estate tax causes to farm succession planning is among the reasons why the passage of HB 3 will get my support and is very likely one of the reasons that State Rep. Terry Boose (R-Norwalk Township) has joined his colleagues as a co-sponsor. Other likely reasons are that estate tax revenue is relatively unpredictable for government budget planners, collection is inefficient and most other states have abolished or greatly reduced the hardship of state estate or inheritance tax.

That being said, there is reason to at least pause and realize the consequences that the repeal could have. Eighty percent of the revenue generated from the Ohio estate tax is distributed to local government units, i.e., townships. Another Ohio Farm Bureau report cites that \$269,400,000 was distributed among Ohio local governments in 2009. That lost revenue will be made up somewhere, hopefully in a manner that is more fair and efficient for the agricultural community and for rural communities in general. In my opinion, the benefit to farm families (and really all small business owners) outweighs the attendant uncertainty surrounding potential new means of revenue generation. Generally speaking, what's good for farmers and small business is also good for Huron County.

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