

Splitting the Farm

How the Death Tax Harms Our Economy and May Drive Farmers to Extinction

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Vol. II, Issue 1



I am the *Face of Freedom*



Faces of Freedom



A Farmer Finds a Home

Roger Blackwood is a prime example of the American dream. Through spirited determination, he has gone from a child on the streets of Nashville to a job-creating entrepreneur and farmer. Roger has spent a lifetime creating jobs in the private sector, held elected office, and today continues to serve as the chairman of the Economic Development Board for Robertson County. However, when Roger can serve no longer, the state of Tennessee will take that which he has earned through a lifetime of hard work.

While Tennessee has some of the most business-friendly laws in the country, the benefits have not been as large as one would expect. One of the most significant drawbacks is the state's death tax. Tennessee is one of a handful of states to collect a death tax upon the estate of an individual when he or she dies. This tax will one day have a destructive impact on Roger and thousands of other farmers, and it currently wreaks havoc on the state's economy and fiscal stability.

While there is also a federal death tax, Tennessee's tax impacts people with much smaller estates. This not only encourages the wealthy to leave the state, but also harms the less mobile that fall under the tax, such as farmers like Roger. Between state taxes, federal taxes, and the inevitable death tax, Roger notes that he will eventually be taxed "three times on what I've worked my brains out to earn."



At age seven, Roger's father abandoned his family and at 10 his mother did the same. At 13, he was sent back to live with his father, who was an abusive alcoholic. He chose to flee, borrowing \$42 and moving to Nashville. For four months, he lived on the streets of Nashville. He managed to find a job painting football bleachers and returned to school. In seventh grade, he was fortunate enough to have a teacher that demanded he learn to read before he could play sports. Due to his determination and the caring of his teacher, he learned to read and earned a football scholarship to Montgomery Bell Academy. Eventually, Roger earned five college degrees despite suffering from dyslexia.

While attending college, Roger entered the construction business, establishing himself as a construction equipment leaser and seller. After this, Roger began travelling all over the country, using his business know-how to salvage failing

businesses, get new ones off the ground, and oust corruption. Roger loved the thrill of starting new companies and often sold them after they were profitable to avoid boredom.

At age 29, Roger purchased the farm he now lives on and has owned for 48 years. At times the farm has had over 1,000 head of cattle. Roger states that his farm is "the only place I've ever considered home, having grown up without one." The last thing Roger wants is for this farm to be sold and developed. The county courthouse is less than one mile from his property, and the city has grown all around it. He wants to pass the farm on to his kids but says they will be unable to afford it because of the death tax. Roger is very fearful that after his death, the farm will be split by his children and sold to developers.

Over his career, Roger owned 23 businesses and consulted 191 more. He has literally created thousands of jobs. Since retiring from the private sector, Roger served in public office for eight years, where he chaired five government committees, and then took to farming. Out of all that Roger has





accomplished, he says he enjoys farming the most. He jokingly reflects that he has “never had one cow ask for a raise.”

Roger’s love of his farm does not mean he is stingy. He donated a large portion of the farm to the city of Springfield to construct a public park. Roger has also donated much of his time to the community because of the help that he received along the way. While he does not mind giving back, he does not want to give the farm “to somebody who is going to take it and take the tax dollars and support someone who is not willing to work.”

As chairman of the Economic Development Board for Robertson County, Roger has seen the negative effects of the death tax from yet another perspective. “Retirees are moving out,” Roger notes. He understands that the majority of the county’s debt is from education spending. Retirees help this problem greatly because they pay taxes but do not have children in schools. Roger has seen firsthand how this tax not only drives people out of the state, it also discourages them from coming in the first place.

Despite his commendable record of service, the state feels that Roger has not done enough. When he passes, Tennessee will confiscate a portion of the wealth that he has so rightfully earned. Rural farmers and small business owners like Roger are being taxed simply for the purpose of redistributing their wealth. People like Roger benefit all citizens of the state through their productivity and willingness to give back. It is simply unfair for the state to punish them or force them to move to other parts of the country.

Keeping it in the Family

Roger is not the only farmer whose family faces the consequences of the death tax. David Mitchell has worked his entire life on his Christiana, Tennessee farm. David's grandfather purchased the farm many years ago with the intention of keeping it in the family. David's elderly father currently owns it and still lives in the house where he was born. The farm was initially 125 acres, but through the hard work of David, his father, and brother, the farm has grown to cover over 500 acres. They grow row crops, hay, and have over 100 head of beef cattle. David runs the day-to-day operations of the farm and is worried that when his father passes, they may be forced to sell parts of the farm or equipment to pay Tennessee's high death tax.

Agriculture is a very important part of Tennessee's economy. It contributes \$51.4 billion to the economy and provides 347,000 jobs.¹ Farms like David's are important to the state as a whole and contribute greatly to the local economy. David buys the majority of his supplies from the local Co-Op and produces goods that benefit all Tennesseans. When parts of farms such as David's are sold, rarely do they continue to be used for agriculture. David personally cannot remember a farm in his area that was sold in the last decade that continued to be used for agriculture. The Mitchells have faced much pressure of their own to sell off parts of their land for development purposes. For those who wish to preserve Tennessee's natural resources, the death tax is a great hindrance.

Unlike some who are hit unexpectedly, David and his family have been planning for this tax for years. Through several estate planners and four lawyers, they have taken steps to minimize the impact of the death tax. This has been a great hassle and expense to the Mitchells. Not only did they incur

the expense of paying lawyers and planners, they have also had to transfer real estate and pay the state's gift and sales taxes. Every hour spent with a lawyer in Nashville is an hour that could have been better spent working on the farm.

Many who support a death tax say that those who inherit wealth are unworthy of it, as it is being "given" to them. However, David and many farmers often work their entire lives to preserve the estate that is to be taxed. The growth of the Mitchell farm is a direct result of the hard work of David and his family. If it weren't for his work, the estate wouldn't be large enough to be taxed in the first place. David has paid real estate taxes, property taxes, and income taxes on what he has produced from the farm. He has more of a right to the product of his and his family's labor than the government, yet he may face taxation again in the future if the death tax remains in place.

In David's words, "The principles of this country have been all along to reward success, to reward hard work, and to reward good management rather than penalize it." The death tax not only penalizes hard work and success, it also singles out a very small number of people. On average, around 845 estates are



taxed each year.² Imagine if the government singled out a small minority of citizens and confiscated the wealth they had worked and saved their entire lives for simply because of their religion or race. The death tax is no different than this, other than that it singles out individuals for being productive and confiscates wealth that was rightfully earned.

In keeping with his grandfather's wish, David hopes to pass on the farm to his children one day. With his father in poor health, David must cope with the unjust stress of worrying about how to handle the estate upon his death. Some policymakers are proposing to merely raise the exemption levels for the tax. For David and many other family farmers, they do not have the time to wait for this tax to be scaled back slowly. "The time is now," says David. "I think we need to end this threat to Tennesseans for the good of this generation and for the generations to come. There is just no need to wait any longer."

A Drain on the Economy

While taxes should be imposed for the sole purpose of collecting revenue, this tax is used to redistribute wealth, but it fails at doing even that. As an indicator of how poor the death tax is as a revenue generator, it only accounts for less than one percent of the state's total revenue. Because many wealthy people are mobile, they choose to move to states without a death tax, such as Florida. Tennessee is one of only two states in the south that imposes a death tax, and not a single state in the Sun Belt has a death tax. People do not move to these states simply for the warm weather; they have a pretty inviting tax policy, too! These individuals are taxpayers, job creators, and investors who would be making a positive economic impact on Tennessee but for this one tax.

Studies show that Tennessee's death tax has truly

been devastating for the state's economy. Because of the death tax, Tennessee's economy is \$6 billion to \$18 billion smaller than it would otherwise be.³ Had the state eliminated the tax a decade ago, more than 200,000 more jobs could have been created by those remaining in Tennessee rather than fleeing to states without a death tax.⁴ While the lack of a state income tax benefits Tennessee greatly, the state still faces tough competition. Compared to all other states without an income tax, Tennessee's economy has grown the second slowest, and employment remains the absolute worst.⁵



The tax not only harms the state's economy, it actually costs taxpayers money. If wealthy and retired residents remained in Tennessee or relocated here from other states, they would purchase homes, cars, boats and other items, and invest in businesses within the state. As a result, they would pay property taxes on their homes, sales taxes on their other purchases, and business taxes on their investments. According to one study, state and local governments across Tennessee have lost out on more than \$7 billion in revenue over the past decade, while the death tax

itself has brought in less than \$1 billion during that same period.⁶

Though meant to only effect the wealthy, those who actually wind up paying the tax are often rich in assets but cash poor. This is the most devastating to family farms. These farmers are less mobile than the wealthy and have much of their wealth tied up in land, equipment, livestock, and other assets. Despite the fact that farmers like Roger, David, and their family members pay taxes on their farms throughout their lives, these individuals also must pay the state again upon their deaths.

The Time is Now

Tennessee's death tax has proven ineffective and misdirected. The economic benefits lost far outweigh the revenue the tax brings in. The result is a less vibrant state, lower employment, and less tax revenue. By losing the wealthy to states like Florida,

Tennessee loses those who create jobs, and make many purchases and investments. The laws of this state are prime for attracting capital and business, but neither is coming into Tennessee as much as it should be. The main reason for this is the death tax.

Tennessee will continue to feel the negative effects of the death tax until it is completely eliminated. The longer this tax stays in place, the longer Tennesseans will suffer. The state's older individuals cannot wait. Those who are unemployed cannot wait. Those who wish to retire in Tennessee cannot wait. The time is now to eliminate the death tax in Tennessee. This tax is morally wrong, economically devastating, and does little to provide revenue for the state. Roger states it best: "The time is now. I'm 77 years old. How much longer can we wait?"



To learn more about Tennessee's death tax, scan this code.



1. Dr. Burton C. English, R. Jamey Menard, and Dr. Kim L. Jensen, "Economic Impacts of Tennessee Agriculture and Forestry." University of Tennessee Institute of Agriculture, Department of Agricultural and Resource Economics. 2006 <<http://www.tn.gov/agriculture/general/impact.shtml>>.
2. Chas Sisk, "Tennessee Businesses Press for End of Estate Tax." *The Tennessean*. January 2012.
3. Dr. Arthur B. Laffer and Dr. Wayne H. Winegarden, "The Economic Consequences of Tennessee's Gift and Estate Tax." Laffer Associates. November 2011.
4. *Ibid.*
5. *Ibid.*
6. *Ibid.*

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