

TESTIMONY

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S-1728

SUPPORT

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Testimony of Sal Risalvato

SUPPORT: S-1728 Increases exclusion amount under New Jersey estate tax; phases out estate tax over five years.

Mr. Chairman, members of the Committee, my name is Sal Risalvato, Executive Director of the New Jersey Gasoline, Convenience Store, Automotive Association. The small, independently owned businesses represented by this Association will benefit tremendously from this long overdue legislation finally repealing one of New Jersey's two death taxes.

A majority of US states have no death tax whatsoever, while New Jersey is one of the two states with both an estate tax and an inheritance tax. It is also the only state with an estate tax exemption threshold under \$1 million. At just \$675,000 it is the most burdensome rate in the nation at a time when the national trend is toward significantly raising that threshold and/or completely eliminating all death taxes. The threshold for the federal tax is \$5.45 million and most of the states that do levy an estate tax either match that threshold currently or have passed legislation to ensure they match it within the next few years.

Death taxes are particularly burdensome given that New Jersey is such a high cost of living state. Commercial real estate, particularly in the densely populated northeastern portions of the state as well as along the major highways is very valuable, and it would not be uncommon for the real estate alone of a small business to push an estate over that low bar.

The combination of high value property and a low estate tax threshold creates a perverse incentive; when business owners age, it becomes wise to sell the business, "cash out", and then move to a state without a death tax (or at least a lower one).

Just in the last few years several states have phased out death taxes completely. Our nearest competitors in the Northeast are moving forward with lessening the burden of their death taxes. This will hurt New Jersey because residents who do not want to be outside of a reasonable driving distance from their New Jersey families will be compelled to move their assets to nearby states like Pennsylvania where they can have the best of both worlds.

Having two taxes has long compounded the negative effects of a death tax. While the transfer of a small business to a child or spouse is exempt from the inheritance tax, it is not from the estate tax, which is a major reason why it is the estate tax that is more deserving of repeal.

It is also worth mentioning that the transfer of a business between siblings is not exempt from the inheritance tax, a tremendous burden and source of fear for some of my members.

I have several members who are in business with a sibling, sometimes because the business was started by their father who left it to multiple children upon his passing. Indeed, this is the exact situation one of our Association's staff members is in. The President of our Association is also the co-owner of a very successful business he started with his brother decades ago. It is painful for any small business owner to pass away knowing that his family may have to sell the family legacy in order to pay the taxes that will be owed upon his demise.

Since the topic of death taxes is being discussed, I hope we can further this victory by changing the inheritance tax to exempt transfers between siblings, as is already done in Pennsylvania and Maryland.

The New Jersey estate tax is also an exceedingly complicated tax, which in turn can cost the bereaved thousands of dollars for an expert to sort out. New Jersey's estate tax has 17 different tax brackets to sort through, and this is on top of the inheritance tax and potentially the federal estate tax, along with the other burdens and stress in the months after a person's death.

I ask you to support this bill so that we can join the other 48 states in removing at least a portion of this onerous restriction that disproportionately suffocates independent small businesses. Help our "mom-and-pops" stay in business and survive against the trend toward big faceless chain corporations by giving them the space they need to pass their life's work on to the next generation.

Thank you.