



National Funeral Directors Association

**STATEMENT  
OF THE  
NATIONAL FUNERAL DIRECTORS  
ASSOCIATION**

**ON THE  
PROBLEMS FACING FAMILY-OWNED  
FUNERAL HOMES IN COMPLYING WITH  
THE ESTATE TAX**

**BEFORE THE  
COMMITTEE ON FINANCE**

**UNITED STATE SENATE**

**NOVEMBER 14, 2007**

Mr. Chairman, Members of the Committee, thank you for the opportunity to present the views of the National Funeral Directors Association (NFDA) on the problems faced by family-owned funeral homes in complying with the federal estate tax. I am John H. Fitch, Jr., Senior Vice-President for Advocacy.

The National Funeral Directors Association represents more than 13,000 funeral homes and over 21,000 licensed funeral directors and embalmers in all 50 states. The average NFDA member is an independently owned and operated business with fewer than 10 employees and has been in the same family for over three generations. NFDA is the leading funeral service organization in the United States, providing a national voice for the profession.

The NFDA has a great interest in estate tax and it ranks as one of the top issues our members state as a major roadblock in growing their business, keeping their funeral home open, or in their family.

While the current law goes a long way towards eliminating the burden of estate taxes generally, it only temporarily eases the burden of small business, such as funeral homes, which seek to transfer the business from one generation or family member to another at death. In order to recognize and preserve the heritage and strength of this foundation of the American economic system, it is absolutely critical that the federal tax laws not penalize or otherwise prevent the tax-free transfer of family business ownership at death to other family members. Moreover, the thousands of dollars many funeral home owners spend annually in so-called estate planning to avoid the estate taxes or in the purchase of insurance policies to cover their potential estate tax liability could be better spent on business operations, salaries and other worker benefits and community outreach programs.

To give you a snap shot of the typical NFDA member, I offer the following from a recent survey:

1. The average funeral home has been in the family for three generations and is valued at over \$2.5 million.
2. It employs from 5-15 full-time employees and an equal number of part-time employees.
3. It has created between 1 and 15 new jobs over the past five years and expects to create an equal amount over the next five years.
4. It has spent from \$2,000 to over \$300,000 over the past five years on estate tax related planning and paid an average of \$900,000 in estate tax.
5. If the principal owner would die, the average funeral home have to either borrow the money to pay the estate tax or sell all or part of the business to pay the tax. In addition, it would have to delay, curtail or abandon any plan to grow or expand their business.

As you can see, the federal and state estate tax is a considerable financial burden to small, family-owned funeral homes as well as a significant inhibitor to future growth and expansion and even the existence and ownership of the funeral home.

In responding to the survey, many of our members added some rather compelling comments. Here are several:

- 1. When my grandfather died in 1983 with no provision in place for estate planning my father had to sell enough of our assets to come up with the nearly \$1,000,000 to pay the estate taxes. Because we had to put so many resources toward the estate taxes then, our business growth was severely hampered for over ten years. In order to avoid a similar situation when my father dies, we have had to devote tremendous time, energy and resources that could and should be focused on expanding the business and creating jobs.*
- 2. Due to the federal estate tax, I will have to borrow funds to pay my mother and sister for their stock at the same time borrow to pay the estate tax.*
- 3. We sold to the then Loewen Group, a publically traded funeral service corporation, over 7 years ago. Prior to that time we spent thousands of dollars with our estate planning and key man plans. In fact, when we did sell the most costly part of our attorney fees and CPA costs were to protect this transfer of ownership from a huge tax hit to us personally.*
- 4. We have felt the urgency to purchase insurance to cover estate taxes. At present we spend over \$5,000.00 per month, we have seen extreme consequences to families because of the estate tax.*
- 5. My grandfather died 12/03/2000; this left a huge impact on the family funeral business. Fortunately I was able to qualify for an IRS 6166 or 6160 for "Family Owned Business", that was 35% or more of my grandfather's estate. I was able to defer the estate tax and will be able to pay the tax over 10-15 years. Without this I may have been forced to abandon the funeral business. The funeral home property was worth more than the business. Had I not had some relief regarding paying the estate tax over time I may have been forced to abandon the business and re-develop the property for retail commercial use. At this time I am able to continue the family funeral business but should something happen to me my daughter will not be financially able to support the business and pay estate taxes on my estate. I will be the last of my family to own and operate a family owned funeral business.*
- 6. We are currently studying how we can replace the principle owner/CEO and one other top level management member by insurance funded protection to insure stock buy-out, estate tax cost and operating monies for replacement personnel as well as monies to insure cash flow during the recovery.*
- 7. Our business has been in the family for four generations. Each year it gets harder and harder to stay in business with the taxes and government requirements. When a death*

*occurs and the death tax implied it can be enough to force the business to sell to pay the taxes.*

*8. Being in the funeral profession allows us to witness the drawbacks that many families endure because of this double tax. Many of our families we serve that have a family business don't have proper planning to get their business through this most difficult time. Some simply do not realize that Uncle Sam can tax the assets of monies that have already been taxed. Most families are so involved in their family business that it does not occur to them that the government penalizes a family business.*

*In our estate plan our attorney explained that our son would need to sell the business to pay the taxes he and his sister would be obligated to pay upon our death.*

As you can readily see, estate tax is not an intellectual or theoretical exercise for our members. It is real and has serious and significant business as well as personal consequences.

It is with that in mind that the National Funeral Directors Association on behalf of the thousands of family-owned funeral homes in America urge the Congress to enact sooner rather than later significant permanent reduction in the federal estate tax.

Funeral homes are among the quintessential community-rooted, family-owned business. They are the last of a slowly fading breed of entrepreneur whose survival is only made more difficult by the onerous estate taxes. In order to recognize and preserve the heritage and strength of this foundation of the American economic system, it is absolutely critical that the federal tax laws not penalize or otherwise prevent the tax-free transfer of family business ownership at death to other family members or otherwise inhibit the growth of their business.

Mr. Chairman and members of the Finance Committee, thank you for the opportunity to present the views of the National Funeral Directors Association on this critical issue. I hope it is helpful in crafting legislation that will alleviate this unnecessary and costly burden for our members.