



1212 New York Ave., NW, Suite 425, Washington, D.C. 20005 Phone: (202) 783-2756 Fax: (202) 347-6341

2008 POSITION PAPER – TAXES

Estate Taxes Conservation Easement Association Health Care Plans

Current estate tax laws are extremely complicated and place many family-owned vineyards and wineries in jeopardy by requiring large cash payments when that business is passed to the next generation. Estate tax law should be modified in order to preserve and grow the equity in these farms and family businesses. An expanded conservation easement donation tax credit will stimulate more participation and protect land for agricultural production. The tax credit should be permanently extended.

Small businesses like the typical American vineyard and winery desperately need a way to provide health care insurance for their employees. Proposals to allow trade associations to provide health insurance would greatly improve the ability of vineyards and wineries to provide health care benefits for their employees.

ESTATE TAX

Vineyards and wineries are long term commitments requiring sustained reinvestment to develop adequate size and production for long term stability. The period required to accomplish this task usually spans more than one generation. Almost all new vineyard or winery developments are “start-ups” created by families or partnerships.

These businesses take many years to develop, in most cases exceeding the working lifetime of one generation. Very serious liquidity problems, driven by estate or gift taxation, arise when the business must be passed to the next generation. The government requires cash payment to satisfy estate tax obligations while these businesses usually have all their cash resources tied up in growing the business. Banks are extremely reluctant to make loans to wineries secured by inventory, or to vineyards secured by vineyard development. These conditions jeopardize the very survival of many businesses our members have built, over many years, through toil and sweat equity. While Congress passed some relief as part of the 2001 tax reduction act, these provisions change every year and will eventually expire. Congress should remove the succession burden from family farms and businesses.

CONSERVATION EASEMENT

A conservation easement is a voluntary and legally binding agreement that limits certain uses of land and prevents certain development from taking place on the property in the future. This

issue is of critical importance to the agricultural community as it allows farmers to remain in agriculture, rather than selling their land to developers – often the more profitable option.

Two years ago, legislation was approved to expand the caps on charitable deductions for donating a conservation easement on their land to 100% of donor income for farmers and ranchers and 50% of donor income for all others. The previous cap was 30%. The legislation also extended the carry-forward period for such deductions to 16 years from six years. That provision expired at the end of 2007.

Legislation has been introduced this year by Representative Mike Thompson (D CA) and 93 co-sponsors to permanently extend this helpful tax credit which allows moderate income donors to get a significant tax benefit from their valuable charitable gift. A permanent extension of this tax credit is included in the Senate version of the Farm Bill (HR 2419). This tax reform is supported by WineAmerica and the Winegrape Growers of America as a necessary step to ensuring that agricultural lands remain in the hands of farmers and not developers.

SMALL BUSINESS HEALTH PLANS

Legislation should be passed to allow trade associations to offer health insurance to their small-business members through adoption of national standards. These plans should be exempt from costly state mandates, as the ones large corporations and labor unions currently are.

WineAmerica is the national trade association of American wine producers with 800 wineries in 48 states. Questions should be directed to Bill Nelson, President of WineAmerica, at (202) 783-2756 Extension 123.

Winegrape Growers of America is a federation of state winegrape grower organizations representing America's production of grapes for wine. For more information contact Fowler West at The Washington Group, (202) 789-2111.