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N.G.A. PRESIDENT CALLS ON HOUSE TO END THE DEATH TAX NOW

WASHINGTON, D.C. (March 28, 2001) — Thomas K. Zaucha, President and CEO of the National Grocers Association, said, “Now is the time to end, not amend the death tax. The estate tax is one of the biggest threats to the future of independent businesses and needs to be repealed immediately. Our success of this repeal will make the difference to many small business, whether they stay in business or sell.”

The estate tax is an ominous cloud hanging over the heads of independent, family-owned companies. Grocers need capital to re-invest in new and remodeled stores and new technologies to better serve their customers.

“The important point is for the House to vote in support of estate tax repeal legislation. Privately-owned and operated businesses are placed at a serious competitive disadvantage when the federal government makes small business its indentured servant. The House of Representatives must act now to preserve the future of privately-owned and operated businesses before it’s too late,” said Zaucha.

President George W. Bush has called for the elimination of the estate tax as part of his overall tax reduction plan. In his address to Congress last month, the President said it was not fair to tax the same earnings twice—once when you earn, then and again when you die. “The Nation’s grocers cannot agree more,” Zaucha said. “They pay income taxes, payroll taxes, unemployment taxes, property taxes, and then they pay the death tax.”

Independent family-owned grocers provide diversity in the marketplace, offering consumers and communities competitive choices,” he said. “Privately-owned retail grocers are facing unprecedented competition from multi-billion dollar megachains and supercenter competitors. In order to compete, family-owned businesses need capital to reinvest in our companies. The death tax takes needed capital from family businesses. Rather than pay the punitive death tax and leverage the company, many family business owners are making the decision to sell. Repeal of the death tax is the only answer to preserving and protecting family business legacies. No exemption or rate reduction can be as effective.”

Recently, for example, Tom Goodner, a grocer from Duncan, Oklahoma and a former N.G.A. chairman, explained that the equipment in a single, 60,000 square foot store currently costs \$3.5 million, the inventory costs are \$1.5 million and the cost of the building and parking lot in Oklahoma is about \$3 million. “If my family and employees were to experience my untimely death, the family would face substantial estate tax liability,” he said. “Having to pay the federal government almost 55 percent of the estate would place a substantial drain on our capital base. It would potentially force us to liquidate assets, jeopardizing the future of our company and the continued employment of our loyal associates.”

He noted that his own father, Roy D. Goodner, who began his career in the retail grocery business in 1937 was forced into a precarious financial position because of an estate tax liability. “In the late 1960s, my father began to experience health problems and transferred some of the ownership interests to my mother,” Goodner said. “Unexpectedly, in 1971 my mother passed away before my father did, leaving a substantial estate tax liability. We paid the government over \$700,000. My father didn’t have the cash so we borrowed the money for the federal estate tax payment from our local bank, which took 7 years to repay. During that timeframe, my father became disillusioned by his potential estate tax liability and I gradually proceeded to buy the business interests from him and other family members.”

N.G.A. has made it clear that the repeal of the estate tax is its number one legislative priority.

N.G.A. is the national trade association representing the retail and wholesale grocers that comprise the independent sector of the food distribution industry. An independent retailer is a privately owned or controlled food retail company operating in a variety of formats. Some are publicly traded but with controlling shares held by the family. Most independent operators are serviced by wholesale distributors, while others may be partially or fully self-distributing. Independents are the true “entrepreneurs” of the grocery industry and dedicated to their customers, associates, and communities. N.G.A. members include retail and wholesale grocers and their state associations, as well as manufacturers and service suppliers.

