

Committee on Finance
Federal Estate Tax — Uncertainty in Planning
Under the Current law

November 14, 2007

Testimony
of
Eugene Sukup
Chairman of the Board
SUKUP MANUFACTURING COMPANY



1555-255th Street, Box 677
Sheffield, Iowa 50475
T: 641-892-4222
F: 641-892-4629

I'd like to thank the Chairman and Members of the Committee for offering me the chance to speak here today. My name is Eugene Sukup, and I'm the founder and Chairman of the Board of Sukup Manufacturing Company. We're a small manufacturer located in Sheffield, Iowa. My company also is a member of the National Association of Manufacturers, the nation's largest industrial trade association representing small and large manufacturers nationwide.

I started Sukup Manufacturing Company 44 years ago, while still working on the farm. I had bought my first grain bin to dry and store shelled corn. But, the process didn't work quite right. So, I came up with a new design that worked better. Today, I'm proud to say that forty years after our first item was patented and manufactured, my sons, Charles and Steve and I have expanded a single idea into a worldwide company, employing over 350 workers in seven states. We now hold over 70 U.S. patents and produce a broad line of grain handling and storage systems.

In addition to our plant in Sheffield, Iowa, we operate six distribution centers in Arcola, Illinois; Aurora, Nebraska; Defiance, Ohio; Jonesboro, Arkansas; Cameron, Missouri; and Watertown, South Dakota. We sell products all over the United States and to 50 foreign countries.

I firmly believe that one of the keys to our company's success is our ability to hire and retain top notch employees. Over 30 percent of our workers have been with us for more than 10 years. We provide exceptional benefits, including health insurance coverage at no cost for our workers, and only \$60.00 per month for their families. In addition, we offer a 401K Program, Dental Health Plan, and a Profit Sharing Program that was started in 1973.

As the largest employer in Franklin County, Iowa, we've watched the community grow around us. Today, we have a health clinic, a dentist office, a chiropractor, a drug store, a bank, a grocery store, a restaurant, and a golf course. The growth of the town can be

seen by new homes that are being built and a church that has overgrown its capacity and is making plans for a new one.

We believe in giving back to the community, which is why my company is a major donor to the Sheffield Care Center for Senior Citizens. We helped build a local swimming pool and a playground. We also gave a million dollars to help fund a child day care center that cares for over 100 children in Hampton, Iowa. Sukup Manufacturing Company contributes 10% of its taxable income for charitable contributions for local charities and contributions to the Sukup Family Foundation, which also contributes to area charities. The family foundation does not build up a large balance but uses the money for charitable gifts. The foundation balance is over \$1 million dollars with over \$500,000 have been contributed from the foundation in 2006.

I'm not bragging when I tell you that businesses like Sukup Manufacturing are the backbone of our economy. By the same token, when a business like ours is sold off or shuttered, the loss to the economy is great. If Sukup closed today, 350 people would lose their jobs. But, that's just the beginning. Without jobs, there's no reason for a child care center. As people move on to other places, the restaurants and stores close down, the dentist moves to a bigger city with more customers. The loss would be felt in Iowa, in Arkansas, in South Dakota.

Now, to be clear, we're a growing company. So, why would we close down or sell off? I'm here today to tell you that one of the greatest threats to our family-owned business is the estate tax. If my wife Mary and I died today, we estimate that our estate tax liability would be somewhere between \$15 and \$20 million dollars. The only way for my sons to pay that tax would be to sell off the business.

Folks will tell you that you can "avoid" the tax. Well, maybe that's true in some cases, but it also involves extremely high financial planning costs including expensive life insurance policies that businesses pay year in and year out. Money that we put into life insurance policies and other financial planning tools to avoid the tax is money that we

could have been putting into the business – hiring more employees and expanding into other states.

Furthermore, it's nearly impossible to plan for a tax that changes every year. Under current law, the exemption for the tax is \$2 million with a top rate of 45 percent. In 2010, the tax is repealed. But, in 2011 the top tax rate goes back up to 55 percent and the exemption drops back down to \$1 million. The uncertainty of the tax means that we have to plan for the worst case scenario, costing us even more money.

Even if my sons are able to somehow keep the business after we pass on – my grandchildren will have to pay the same tax again when they take over the company. There's no limit to how many times our company will be taxed.

We are truly a family owned business. I'm fortunate to have two sons working with me who are graduate engineers, two grandchildren that have returned to the company fulltime, and two grandchildren who are still attending Iowa State University. One of my grandsons is disabled and has been working at the company running the robot welder. I can't tell you how much it means to me to be able to provide him a job that allows him to make a real contribution to the company and to society.

I built this company, my sons helped me build it and my grandchildren want to carry it on. Isn't that the kind of entrepreneurship that our government should encourage? This tax discourages entrepreneurs, it destroys family businesses and it's unfair. I hope that you will all work together to permanently end this unfair burden on family-owned businesses like mine.