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Testimony for the Record

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Federal Estate Tax: Uncertainty in Planning Under the Current Law

Chairman Baucus, Ranking Member Grassley and members of the Committee, as the son of a rags-to-riches businessman, I am pleased to offer written testimony on the effect of the death tax. I want to tell you about my father, a man who worked hard his entire life, only to have half the fruits of his labor seized by the death tax. My father is a “real-world” example of the death tax’s purported social engineering.

Luther Cain knew something about the American dream. He was the grandson of slaves, had no college education, and no source of capital. Even so, he was determined to make a better life for his family and future generations. He wanted to offer his children the possibility of financial prosperity, and was determined to use his mind and sweat equity to make this dream a reality.

In the early 1940’s he left his father’s small farm in TN with no worldly possessions except for the clothes on his back. He realized that his father’s farm would not provide the prosperity that he desired. Over time, he worked three jobs as a barber, a janitor and a chauffeur at one time to improve his family’s lot. Needless to say, my father understood the meaning of hardwork.

Luther Cain died in 1982 with a net worth of \$982 thousand, very close to his goal of \$1 million. Had he lived beyond his young 56 years, I have no doubt that he would have well exceeded this goal. With his money he was able to purchase a home, put myself and my brother through college, and give us our start in life. It also provided for my mom in her later years, when she suffered from multiple sclerosis. Most importantly, my father’s achievement gave me a vision of what hard-work, frugality, and discipline can offer to a person living in America. I’ve taken my father’s life-lessons to heart and used it to turn around a dying restaurant chain, lead a national trade association, and start my own company.

By the time of my mother’s death in 2005, my father’s assets had grown modestly leaving his family with a death tax liability of \$1.3 million. My father would have been proud to have known that his hard earnings had been well-managed and used to propel his family to ever greater heights. Somehow, I do not think he would be nearly as pleased to learn that nearly half of it never made it into the hands of his grandchildren.

Yet my father is only one example of thousands. Most Americans who have earned over a million dollars in their life time have done it through hard work and rigorous discipline. It is easy for members of congress to talk about wealth disparity and to gloat about their grand schemes to ensure “fairness.” It is another matter when they confront the individuals whose “wealth disparity” they are actually seizing. Somehow, I get the impression that my father’s story – and the thousands like it – does not fit their expected redistributionist model.

My father’s story is nothing new to most Americans, and neither is my father’s vision of the American dream. Most

folks understand that one of our core American freedoms is our right to property. A right to property necessarily means a right to use your mind and sweat equity to create, purchase, own, and trade wealth. In order to have any meaning, it must also mean that it is immoral to confiscate someone's property simply because of their success in creating it. Yet the death tax commits this very immoral act, by punishing hard-working and successful individuals for pursuing the American dream.

Finally, some politicians crow that the federal government could not properly function without the death tax's paltry \$24 billion in annual revenue. Notwithstanding the many studies which cast doubt on this figure, I find it repugnant that government revenue should be placed on a higher pedestal than the sacred right to one's property. America does not exist to fund the insatiable appetite of government. If a tax cannot be morally justified, government should learn to do with less revenue. Government is not entitled to a minimum level of revenue. My father is entitled to the rewards of his life's work.

Members of the Senate Finance Committee, I recognize that you have heard from many respected individuals such as the billionaire Warren Buffett. While Mr. Buffett is certainly a savvy investor, he should not be considered the litmus test for the moral value of the death tax. My father, and the thousands of Americans who have achieved or are seeking a better life through hard work – they are the real litmus test for the death tax. And by holding the death tax up to this test, it has failed miserably. I encourage the members of the committee to quickly take up and approve legislation to permanently repeal the unfair and immoral death tax.