

Peter Nelson

Peter Nelson
Vice-President and Principal Owner
Marc Nelson Oil Products
1977 Claxter Road, NE
Salem, OR 97303

Statement for the Record
U.S. Senate Finance Committee

Federal Estate Tax: Uncertainty in Planning Under the Current Law

November 14, 2007

Chairman Baucus, Ranking Member Grassley, and members of the Senate Finance Committee: I am honored to present testimony on the Federal Estate Tax, better known as the “death tax.” My story is about a company resilient enough to be founded in the middle of the depression, but which could be destroyed by the death tax.

Marc Nelson Oil Products is a strong family-owned business with an Achilles heel: neither the business nor its owners have considerable cash reserves. This otherwise innocuous fact makes the business acutely vulnerable to the death tax. Without cash or other liquid assets, it will be a real hardship to pay the death tax’s heavy confiscatory rate of 55 percent. Our business, which specializes in the distribution of oil products, is worth \$6-7 million, well above the exemption amount. My family has successfully grown the company for over 70 years, since its founding by my grandfather in 1935. We also have operated a 240 acre Christmas tree farm for the same period, worth roughly the same amount and with almost as much in liquid assets.

Contrary to public opinion, businesses such as Marc Nelson Oil Products and our farm are not awash in cash profits which can be plundered for such events as the death tax. Our capital is very limited and is regularly reinvested in the business. When the death tax comes due, I will very likely be forced to sell some of my assets in order to provide the cash needed for paying it. In doing so, I will substantially weaken my company’s growth potential and possibly hamper its long-term sustainability.

In order to prevent the worst effects of the death tax, I have spent excessive amounts of money and time with my lawyer and CPA to implement the latest estate planning techniques. This has resulted in a gross misallocation of productive resources. When I should be building my business and investing in new growth opportunities, I have instead spent hours and a small fortune to try and make the company sustainable when my father dies. Without the death tax, I have no doubt that Marc Nelson Oil Products would be considerably more profitable and create more jobs.

Even with my efforts, it is very possible that I will be forced to sell assets in order to pay the death tax. If this happens, it will not only hurt me, the business owner, but also the 30 employees and their families who depend on Marc Nelson Oil Products for a steady income. These employees should not be punished for their decision to work for a family-owned company.

What I find most aggravating about the death tax is that it only punishes those who reinvest their income and grow their business, while those who squander their earnings on consumption are exempted from the tax. Like most Americans, I have devoted my life to productive endeavors. However, the tax which supposedly only falls on the “idle rich” now threatens my very livelihood, due to the fact that I invested my wealth in my company. If Congress really cares about addressing the needs of hard-working family-business owners in America, repealing the death tax should be the first priority.

Respectfully submitted,

Peter Nelson
Vice-President and COO
Marc Nelson Oil Products