



**Testimony of Mr. Christy Spoa, Sr.
President/Owner
Ellwood City Save-a-Lot**

**“Small Businesses and the Estate Tax:
Identifying Reforms to Meet the Needs of
Small Firms and Family Farmers”**

**House Committee on Small Business
Wednesday, November 4, 2009
2360 Rayburn House Office Building**

Chairwoman Velazquez, Ranking Member Graves, and Members of the Committee –

Thank you very much for inviting me here today to talk about the impact of the estate tax on our nation's small businesses. My name is Christy Spoa, Sr. and I am the President of the Ellwood City Save-a-Lot in Ellwood City, Pennsylvania. We have been a family-owned business for over 90 years and are extremely proud of the long-term relationships we have built with our customers and our community.

I am pleased to say that the next generation of Spoa's have entered the business and will carry on this tradition. Three of my four children – Christy, Jr., Debbie and David - work with me at the Save-a-Lot and will eventually run the business. My daughter Cathy is a school teacher in Connecticut.

It is a thrill for me to work with my children everyday and to see the energy and new ideas that they are bringing to the business. Running a supermarket is a demanding undertaking that requires long hours and dedication to customer service, but they have tackled these challenges with creativity, hard work and enthusiasm. I take great pleasure and pride in knowing that I am leaving the business in such good hands.

There is no doubt, however, that the existence of the estate tax makes the process of planning this succession harder than it should be. For a number of years, I have worked with my industry association, the Food Marketing Institute (FMI), to advocate for the repeal of this unfair tax. I hoped the 2001 reforms would be the first steps in this process. But the situation it created – where the tax disappears next year before roaring back to as much as 55% in 2011 – has made estate planning with any kind of confidence nearly impossible. While I continue to hope that Congress will repeal the tax all together, or eliminate it for companies that stay in the family, right now businesses like mine need certainty and predictability.

The estate tax hits family-owned businesses when they are at their weakest – following the death of the head of the company. This should be a time of remembrance and rededication to the legacy of a lost loved-one. But getting hit with the estate tax can turn this period into a nightmare for families that have not adequately prepared. I can only imagine how painful it must be to be faced with having to sell off all or part of a once-thriving family business in order to pay the tax.

My family has taken steps to make sure this never happens. But this points to one of the most overlooked aspects of the estate tax. It is not just a one-time levy. It is a constant expense hanging over the head of thousands of family-owned businesses in the United States that takes a toll in dollars, but also in lost productivity, limited growth and emotional strain.

In order to protect against the cost of the tax, I am forced to carry a life insurance policy that will help my family cover the expense of compliance should anything happen to me. This is vital for someone in my industry. Supermarket owners tend to be asset-rich with holdings of buildings, land, equipment and stock, but cash poor. Even single-store

operators can quickly find themselves exceeding the current exemption levels, and multi-store companies can easily exceed \$10 million. So, it is difficult to withdraw the potentially significant amount of cash necessary to pay the estate tax from a business like mine. And since I operate a single store, selling off part of the business to raise funds is simply not an option. The industry as a whole operates on a profit margin of slightly more than 1%, so even generous payments plans mean vital cash flowing out of investment and growth and leaving my business weaker and less able to compete. No one wants to leave that as a legacy for their children.

Similarly, I have spent countless dollars and hours with lawyers and accountants to plan for the orderly transition of leadership from myself to my children. I was fortunate that my own father lived into his nineties, so I was able to take over ownership and operation long before he passed away. But the estate tax makes this process significantly more complicated, and it will be even more complicated for my children, who will share ownership, once they take over. They will also have to spend a significant amount of money in order to make sure that unforeseen circumstances do not threaten the viability of the business and their ability to leave it to the next generation. So, I'm not just passing on the company, but the significant costs of estate planning as well.

Some people might argue that this is simply the cost of doing business. But it is important to keep in mind that every dollar that goes toward insurance premiums and estate planning is a dollar that is not invested in my business. It is money taken away from job creation, increased wages, better benefits, and continued growth. Right now I have 25 employees and they bear the brunt of the estate tax just much as my family and I do.

Again, this is not a one-time expense, but an annual cost. With every change in the law or my economic situation, I need to go back and revisit my planning. When taken as a whole, these costs can ripple out and impact an entire community.

Ellwood City, where I make my home, is somewhat unique in that "Main Street" is still dominated by family-owned businesses. In addition to retail stores (including two additional supermarkets), we have a small metal foundry that all provide jobs to our community. None of the owners is a Rockefeller, a Gates or a Buffett, but each of them is acutely aware of the estate tax and the toll it can take on their business if they are not careful.

This has real consequences. In the 91 years we have been in business, I would guess that we have employed over 1000 people at one time or another. For a lot of these employees, it was a first job or a chance to make a little extra money. For others it was a chance to get back into the workplace after raising children. And for some, it turned into a career that allowed them to raise their families and buy a home. Where are these jobs going to come from if family businesses are weakened or sold to cover the cost of the tax? It can be easy to ignore this effect on employment, but for communities that are struggling to create good jobs, it is a question that needs to be answered.

I understand that the estate tax was originally designed to prevent the concentration of wealth in the hands of a small number of families. But it has expanded far beyond this to threaten the ability to pass along family-owned businesses. For individually owned and operated grocery stores like mine, the estate tax is a constant source of anxiety that has real consequences for the my family, my employees and the day-to-day operations of my business. I do not have the cash or assets on hand to simply write the government a check and pay the bill, so I have spent years and thousands of dollars to plan for the worst. No matter how much money I spend, I always wonder, “Have I done enough?”

The estate tax is not innocuous and it is not simply a cost of doing business. It affects families, employees and communities in a real way. At the start of my testimony I mentioned that – like many in my industry – I have been advocating for years to repeal this tax. It is my belief that it simply does more harm than good. Both the industry and I recognize that this is a difficult task and have worked to support reasonable compromises when they are offered. But I continue to believe that repeal is the best solution and the best way to make sure that small and family-owned businesses continue to thrive and create jobs.

Thank you for inviting me to testify today. I will be happy to answer any questions you might have.

CHRISTY SPOA, SR.
PRESIDENT
ELLWOOD CITY SAVE-A-LOT

Christy Spoa was born and raised in the grocery industry. He graduated in 1956 from Fenn College. He currently serves on the following:

BOARD OF DIRECTORS:

- Pennsylvania Food Merchants Association – Also served as Past Chairman
- NGA Public Advisory Council
- Pennsylvania Chamber Business and Industry
- Food Marketing Institute (FMI)
 - Member of FMI Communications Committee
 - Member of FMI Independent Operator Committee
 - Member of FMI Member Services Committee
- Chairman – Ellwood City Hospital Board of Trustees

Christy also serves on numerous industry committees.

AWARDS:

1978 – Riverside High School Ecology Youth for America Appreciation Award

1989 – Spirit of America Award

2001 – FMI Glen Woodard Award

PERSONAL:

Christy is married to Dorothy Nada Chicovsky. They have four children and three are active in the food business.