September 22, 2016

Secretary Jack Lew
U.S. Department of the Treasury
1500 Pennsylvania Ave NW
Washington, DC 20220

CC: Chairman Orrin Hatch, Chairman Kevin Brady, Ranking Member Ron Wyden, Ranking Member Sander Levin

Dear Secretary Lew:

The undersigned organizations oppose the Department of Treasury’s proposed changes to Section 2704 on estate and gift tax valuation discounts. These rules will significantly change family businesses’ succession plans and make it harder for family owned businesses to transition to the next generation. The changes proposed to Section 2704 would remove legitimate valuation discounts for estate, gift, and generation skipping taxes which businesses have used for the past two decades in order to prevent the IRS from overvaluing their businesses at death.

These proposed regulations would force even more family businesses and farms to grapple with the complicated and costly estate tax. Moreover, Treasury’s action does not comport with the will of Congress. On April 16, 2015, the House passed the Death Tax Repeal Act (H.R. 1105) on a bipartisan basis 240-179. In March 2015, the Senate passed a budget amendment to repeal the estate tax (S. Amdt. 607) and in 2013, 80 Senators voted to “to repeal or reduce the estate tax, but only if done in a fiscally responsible way” (S. Amdt. 693). Bypassing Congress to enact rules subjecting more family businesses to the estate tax rebukes the hard work elected officials have done to reform and repeal the tax altogether.

The undersigned organizations strongly oppose the Treasury Department forcing more family businesses to pay the estate tax through changes to Section 2704. Contrarily, we support full and permanent repeal of the estate tax for the following reasons:

**Repealing the estate tax would spur job creation and grow the economy.** Many studies have quantified the jobs that would be gained from estate tax repeal. A recent Tax Foundation study found that the US could create over 150,000 jobs by repealing the estate tax. A 2012 study by the House Joint Economic Committee found that the estate tax has destroyed over $1.1 trillion of capital in the US economy – loss of small business capital means fewer jobs and lower wages. Lawrence Summers, former Secretary of the Treasury under President Clinton; Alicia Munell, member of President Clinton's Council of Economic Advisors; Joseph Stiglitz, a Nobel laureate for economics; and Douglas Holtz-Eakin, former CBO Director have all published work on the estate tax's stifling effect on job growth and the economy as a whole.

**The estate tax contributes a very small portion of federal revenues.** The estate tax currently accounts for less than one percent of federal revenue. There is a good argument that not collecting the estate tax would create more economic growth and lead to an increase in federal
revenue from other taxes. In addition, the estate tax forces family businesses to waste money on expensive insurance policies and estate planning. These burdensome compliance costs make it even harder for business owners to expand their businesses and create more jobs.

**The estate tax falls particularly hard on minorities.** The estate tax threatens to confiscate generational capital from African-American and minority communities. Estate tax liabilities bankrupted the Chicago Defender – the oldest black-owned daily newspaper in the United States. According to a 2004 Impacto Group poll, 50 percent of Hispanic business owners know someone who sold their business to pay the estate tax and a quarter expect to sell their business because of the estate tax.

**A super-majority of likely voters support eliminating the estate tax.** Poll after poll has indicated that a super-majority of likely voters support repealing the estate tax. Typically, two-thirds of likely voters support full and permanent repeal of the estate tax. People instinctively feel that the estate tax is not fair.

**The estate tax is unfair.** It makes no sense to require grieving families to pay a confiscatory tax on their loved one’s lifetime savings. Often this tax is paid by selling family assets like farms and businesses. Other times, employees of the family business must be laid off and payrolls slashed. No one should be punished for fulfilling the American dream.

The undersigned organizations strongly suggest that the Treasury Department support family businesses seeking to pass to the next generation by withdrawing their proposed changes to Section 2704.

Signed,

AMT – The Association for Manufacturing Technology
Food Marketing Institute
Agricultural Retailers Association
International Foodservice Distributors Association
Convenience Distribution Association
Associated Equipment Distributors
International Franchise Association
American Supply Association
National Cotton Council of America
Printing Industries of America

Truck Renting and Leasing Association

Americans Standing for Simplification of Estate Tax

Industrial Minerals Association – North America

International Sleep Products Association

National Taxpayers Union

ISSA – The Worldwide Cleaning Industry Association

United Fresh Produce Association

National Electrical Contractors Association

AmericanHort

Mason Contractors Association of America

Coalition of Franchisee Associations

Wine & Spirits Wholesalers of America

National Grange

Associated Wire Rope Fabricators
Rural Agriculture Council of America
American Moving & Storage Association
National Association for the Self-Employed
Independent Electrical Contractors
National Association of RV Parks & Campgrounds
NTEA – The Association for the Work Truck Industry
NATSO, Representing America’s Travel Centers and Truckstops
60 Plus Association
Southeastern Lumber Manufacturers Association
National Franchisee Association
Competitive Enterprise Institute
Taxpayer Protection Alliance
American Bus Association
American Horse Council
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