



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
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



Heating, Air-conditioning & Refrigeration Distributors International



NATIONAL ASSOCIATION OF ELECTRICAL DISTRIBUTORS

National Association of Electrical Distributors



National Lumber and Building Material Dealers Association



National Council of Farmer Cooperatives



American Trucking Association



Associated General Contractors of America



American Architectural Manufacturers Association

American Architectural Manufacturers Association



Hardwood Federation



National Confectioners Association



Association of Mature American Citizens



Air Conditioning Contractors of America



Americans for Tax Reform



Forest Landowners



Associated Builders and Contractors, Inc.



National Association of Home Builders



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 & Spirit Wholesalers of America



National Grange



Associated Wire Rope Fabricators



Heritage Action for America



Association of Equipment Manufacturers



American Foundry Society



International Housewares Association



Petroleum Marketers Association of America



American Conservative Union



National Industrial Sand Association



Window & Door Manufacturers Association



Aeronautical Repair Station Association



Equipment Marketing & Distribution Association



International Council of Shopping Centers



National Christmas Tree Association



American Business Defense Council



Education Market Association



National Association of Chemical Distributors



National Renderers Association



Equipment Dealers Association



Americans for Prosperity



Club for Growth



National Propane Gas Association



National Funeral Directors Association



American Loggers Council



The Dude Ranchers' Association



R-Street Institute



International Association of Plastics Distribution



United States Cattlemen's Association



INTERNATIONAL SIGN ASSOCIATION
International Sign Association



Auto Care Association



National Black Chamber of Commerce



National Small Business Association



Professional Beauty Association



Materials Handling Equipment Distributors Association



Home Furnishings Association



Small Business & Entrepreneurship Council



NACS – The Association for Convenience and Fuel Retailing



American Beverage Licensees



Metal Construction Association



NPES – The Association for Suppliers of Printing, Publishing and Converting Technologies



Irrigation Association



Forest Landowners Tax Council



Florida Armenians, LLC



International Association of Refrigerated Warehouses



Global Cold Chain Alliance



American Commitment



Log Cabin Republicans



Franchise Business Services



Tire Industry Association



Jeffersonian Project



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



Center for Freedom and Prosperity



U.S. Business and Industry Council



National Utility Contractors Association



National Community Pharmacists Association



Modification and Replacement Parts Association



WMDA Service Station & Automotive Repair Association



Campaign for Liberty



American Civil Rights Union



Let Freedom Ring



Less Government



Service Station Dealers of America and Allied Trades



National Tax Limitation Committee



NTCA-The Rural Broadband Association



Gases and Welding Distributors Association



Family Business Coalition