May 26, 2017

Chairman Phil Mendelson and the DC City Council
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Councilmembers,

The Family Business Coalition, a collection of small business associations jointly representing over one million business owners across the country, strongly opposes any amendments altering the DC Tax Revision Commission Implementation Amendment Act of 2014, including any amendments that would prevent the District's estate tax exemption from matching the federal estate tax exemption.

Predictability in the tax code is a top concern for small business owners and investing in new jobs and equipment is difficult when tax laws are constantly in flux. The revenue targets established in the 2014 law have been met, and the corresponding tax relief that was promised to district businesses should move forward. Arbitrarily pulling the rug out from main street is not a recipe for economic growth. Expanding operations and growing the city's economy should be the main-focus of family owned and operated businesses, not tax compliance due to constantly changing policies.

The District of Columbia is currently one of only 15 states that impose an additional tax at death and Forbes recently listed DC as a place "Not to Die" in 2017 because of its high estate tax. The district's low estate tax exemption of $2,000,000 and high rate of 16% makes it one of the most confiscatory transfer taxes in the entire country.

A District resident could easily move to Virginia or any of the 32 states that don't tax death to avoid a state estate tax altogether. From 2013 to 2015, nearly $4 billion in adjusted gross income left the DC tax base, according to data from the Internal Revenue Service. Recent studies in North Carolina, Oregon, Rhode Island, Connecticut and other states all show that the estate tax discourages business expansion and drives productive tax payers out of states with estate taxes. Florida, a state with no estate tax and a constitutional ban on enacting estate taxes, has been the largest beneficiary of out-migration from high estate tax states.

Blue and red states have been moving quickly in recent years to eliminate or reduce their estate tax burdens. Maine, Maryland, and New York in recent years have all passed laws to match their state estate tax exemption with the federal exemption, Minnesota is planning to vote on a state budget that would do the same. Stopping the planned tax relief would be a step in the wrong direction for the district's economic competitiveness. Adopting the federal exemption levels would incentivize more families to stay in the district for the long haul and invest in their businesses.

We encourage you keep your promise and allow the pro-growth tax changes passed in 2014 to move forward as scheduled. This is a common-sense improvement that will help grow DC's economy by keeping business owners, workers, and retirees in the District.

Sincerely,

Palmer Schoening
Chairman,
Family Business Coalition