



September 8, 2021

Chairman Ron Wyden
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

Chairman Richard Neal
House Ways and Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Cc: Ranking Members Mike Crapo and Kevin Brady

Dear Chairmen Wyden and Neal,

As the House Ways and Means and Senate Finance Committees consider options to finance the coming reconciliation bill, we respectfully urge the committees to steer clear from tax increases that will make it harder for family businesses to pass to the next generation of ownership. Last week, a list of potential pay-fors circulated which included a number of revenue raisers the Family Business Coalition (FBC) has consistently opposed, including making death a realization event for capital gains, imposing technical changes relating to the estate tax, and reopening the fight over valuation rules for family businesses.

Forcing capital gains realization at death as if a profitable sale has occurred when in fact no sale has occurred creates the same problem the estate tax does for family businesses. Family-owned businesses across a number of industries tend to operate on small margins and with not much cash on hand. For many of our members, the value of their businesses is tied up in equipment, machinery, land, buildings, and other illiquid assets. When faced with a new capital gains tax at death on top of the existing estate tax and state level transfer taxes, businesses without sufficient liquid reserves will be forced to fire workers, close branches, or shut down the businesses altogether.

FBC opposes the concept of carve outs or exemptions; these exemptions create the perception of protecting family businesses while history has shown that carve outs are complicated to qualify for and as House Agriculture Chairman David Scott (D-GA) recently wrote “could still result in significant tax burdens on many family farming operations...” Technical changes related to the estate tax like eliminating the use of Grantor Retained Annuity Trusts (GRATS) would hurt family businesses that currently use these legitimate planning tools to help their families plan for succession. Pulling the rug out from under family business owners’ succession plans will force many back into the costly and time consuming process of estate planning. As it stands now, 70% of family businesses do not make it to the second generation and 90% do not make it to the third. Congress should be focused on improving the prospects for family business succession, especially considering the current delicate state of the economy, not considering new tax increases and regulations that are likely to further complicate the process.

Specific to taxing unrealized gains at death, we urge you to also consider the following:

- House Agriculture Committee Chairman David Scott (D-GA) sent a June 2 letter to the administration expressing concerns with the idea of a new capital gains tax at death. The

letter stated in part: “While I appreciate the proposal provides for some exemptions, the provisions could still result in significant tax burdens on many family farming operations.” Available

here: <https://agriculture.house.gov/uploadedfiles/06022021letter.pdf>

- 13 House Democrats sent a May 6th letter led by Reps. Axne (D-IA) and Costa (D-CA) to House leadership voicing concerns about family businesses and capital gains due at death. The letter stated in part: “The requirement to recognize capital gains at death runs the risk of forcing farms and ranches to sell part, or all, of a farm that may have been passed down for several generations in order to pay the tax burden.” Available here: <https://axne.house.gov/sites/axne.house.gov/files/5.6.21%20Stepped%20Up%20Basis%20Final.pdf>
- The entire Senate Republican conference led by Sen. Thune (R-SD) sent a letter opposing a new capital gains tax due at death. The letter stated in part: “As you will recall, a proposal to reach a similar outcome by requiring an heir to “carry-over” the decedent’s tax basis was tried before in 1976 – and failed so spectacularly it never came into effect.” Available here: https://www.thune.senate.gov/public/_cache/files/8951d087-ef78-4623-a38d-3ccbc359fb35/340FB04101F4D5172E58194B2DB886BB.letter-to-potus.pdf

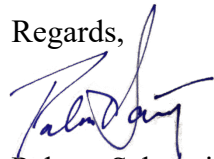
130 House Republicans sent a May 5th letter to House leadership opposing taxing unrealized gains at death. The letter stated in part: “Because assets such as manufacturing equipment and farmland are not liquid and can be difficult to unwind, we are concerned a likely outcome of this new tax would be the sale... of businesses in order to pay it at a time when small business jobs are most needed.” Available

here: <https://adriansmith.house.gov/sites/adriansmith.house.gov/files/FINAL%20-%20Stepped-Up%20Basis%20Member%20Letter%202021-05-05.pdf>

- Former Finance Committee Chairman Max Baucus penned a September 1st *Wall Street Journal* op-ed entitled: “A Tax Plan to Destroy Farms and Ranches”. Available here: <https://www.wsj.com/articles/tax-destroy-family-farms-ranches-small-business-step-up-in-basis-11630524254>
- A budget amendment offered by Senator Thune (R-SD) on August 10th to protect step up in basis passed unanimously 99-0 ([S.Amdt. 3106 to S.Con.Res. 14](#)).

Family businesses, farms, and ranches are the lifeblood of their communities, it would be counterproductive to impose new taxes on these job creators as they work to help the economy get back on solid footing.

Regards,



Palmer Schoening

Chairman

Family Business Coalition



March 9, 2021

Senator John Thune
511 Dirksen Senate Office Building
Washington, DC 20510

Congressman Jason Smith
2418 Rayburn House Office Building
Washington, D.C. 20515

Dear Senator Thune and Congressman Smith:

The undersigned organizations support your bill, the *Death Tax Repeal Act*.

We appreciate your work to lead the country towards a common sense tax code that does not impose a destructive double or triple tax at death. We support full and permanent repeal of the federal estate tax for the following reasons:

Repealing the death tax would spur job creation and grow the economy. Many studies have quantified the potential job growth that would result from estate tax repeal. In 2017, the Tax Foundation 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 death 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 death tax's stifling effect on job growth and the economy as a whole.

The death tax contributes a very small portion of federal revenues. The estate tax currently accounts for approximately one half of one percent of federal revenue. A 2016 Tax Foundation analysis found repeal of the death tax would increase federal income taxes by \$145 billion over 10 years using a more realistic, “dynamic” economic analysis. In addition, the death 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.

A super-majority of likely voters supports eliminating the death tax. Poll after poll has indicated that a super-majority of likely voters supports repealing the estate tax. Typically, two-thirds of likely voters support full and permanent repeal of the death tax. People instinctively feel that the estate tax is not fair. A 2017 NPR/Ipsos Poll found that 65 percent of respondents favored repealing the estate tax, including 51 percent of self-identified Democrats polled.

The death tax is unfair. It makes no sense to require grieving families to pay a confiscatory tax on their loved one’s nest egg. Far too 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 negative effects of the estate tax make permanent repeal the only solution for family businesses and farms. Your legislation will help America's family businesses create jobs, expand operations, and grow the economy. We thank you for your leadership on this important issue.

Signed,



AMT – The Association For
Manufacturing Technology



Food Marketing Institute



Agricultural Retailers
Association



Heating, Air-conditioning, &
Refrigeration Distributors
International



National Association of
Electrical Distributors



National Lumber & Building
Material Dealers Association



National Cattleman's Beef
Association



American Supply Association



National Cotton Council of
America



International Franchise
Association



National Grocers Association



Associated Equipment
Distributors



ALEC Action



Hardwood Federation



National Confectioners
Association



Decorative Hardwoods Association



American Trucking Associations



Institute For Liberty



AMAC Action



Air Conditioning Contractors of America



Americans for Tax Reform



Forest Landowners Association



Associated Builders and Contractors, Inc.



National Association of Home Builders



Global Cold Chain Alliance



American Commitment



Log Cabin Republicans



Consumer Action for a Strong Economy



National Insulation Association



North American Meat Institute



Metal Construction Association



Truck Renting and Leasing Association



Council for Citizens Against Government Waste



AmericanHort



Mason Contractors Association of America



Coalition of Franchisee Associations



Industrial Minerals Association - North America



International Sleep Products Association



National Taxpayers Union



Gases and Welding Distributors Association



NTCA – The Rural Broadband Association



Arizona Free Enterprise Club



ISSA—The Worldwide Cleaning Industry Association



Independent Lubricant Manufacturers Association



National Electrical Contractors Association



Plumbing-Heating-Cooling Contractors—National Association



NAHAD – The Association for Hose and Accessories Distribution



American Sheep Industry Association



Wine & Spirits Wholesalers of America



National Grange



Associated Wire Rope Fabricators



International Housewares Association



Energy Marketers of America



American Conservative Union



American Bus Association



Association of Equipment Manufacturers



American Foundry Society



National Industrial Sand Association



National Ready Mixed Concrete Association



Aeronautical Repair Station Association



Equipment Marketing & Distribution Association



National Club Association



National Christmas Tree Association



American Business Defense Council



Education Market Association



Frontiers of Freedom



Auto Care Association



National Black Chamber of Commerce



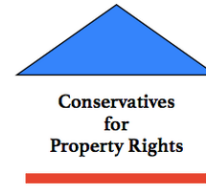
National Small Business Association



Club for Growth



National Association for the Self-Employed



Conservatives for Property Rights



American Loggers Council



The Dude Ranchers' Association



National Marine Distributors Association



International Association of Plastics Distribution (IAPD)



United States Cattlemen's Association



INTERNATIONAL SIGN ASSOCIATION
International Sign Association



Small Business & Entrepreneurship Council



Family Business Association of California



American Beverage Licensees



Professional Beauty Association



Material Handling Equipment Distributors Association



FreedomWorks



Americans for Prosperity



Kitchen Cabinet Manufacturers Association



Maryland Taxpayers Association



Land Improvement Contractors of America



American Horse Council



Center for Freedom and Prosperity



Franchise Business Services
(representing Buffalo Wild Wings franchisees)



Tire Industry Association



Printing United Alliance



National Pasta Association



Kentucky Forest Industries Association



Independent Medical Distributors Association



Hispanic Leadership Fund



Association for Print Technologies



Irrigation Association



NACS – The Association for Convenience and Fuel Retailing



National Candle Association



Home School Legal Defense Association



Rural & Agriculture Council of America



American Moving & Storage Association





Outdoor Power Equipment and
Engine Service Association



Water & Sewer Distributors of
America



National Wooden Pallet &
Container Association



Independent Electrical
Contractors



National Association of RV
Parks & Campgrounds (ARVC)



NTEA – The Association for
the Work Truck Industry



National Renderers Association



Equipment Dealers Association



United Egg Producers



NATSO, Representing
America's Travel Plazas and
Truckstops



Metals Service Center Institute



Southeastern Lumber
Manufacturers Association



National Franchise Association
(representing Burger King
franchisee)



Competitive Enterprise Institute



Sazerac



Service Station Dealers of
America and Allied Trades
(SSDA-AT)



National Utility Contractors
Association



National Community
Pharmacists Association



Jewelry Industry Distributors Association



Financial & Security Products Association



Wholesale Florists & Florist Supplier Association



Retail Packaging Association



Fluid Power Distributors Association



International Sealing Distribution Association



Security Hardware Distributors Association



Equipment Services Association



U.S. Business and Industry Council



Window and Door Manufacturers Association



The Latino Coalition



Let Freedom Ring



Appalachian Hardwood Manufacturers Inc.



WMDA Service Station & Automotive Repair Association



60 Plus Association



Business & Institutional Furniture Manufacturers Association



Washington Area New Auto Dealers Association



Convenience Distribution Association



Distribution Contractors Association



National Tax Limitation Committee



Power and Communication Contractors Association



American Pipeline Contractors Association



American Values



American Civil Rights Union



Less Government



Campaign for Liberty



Center for Individual Freedom



Taxpayers Protection Alliance



Institute for Policy Innovation



Heritage Action for America



Family Business Coalition