

# United States Senate

November 17, 2016

The Honorable Jacob Lew  
Secretary  
U.S. Department of Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Secretary Lew:

I am a strong proponent of reforming our tax code to ensure that it works for middle-class families, small businesses, family farms and ranches. Over the last several years I have heard from a number of Montanans who have shared their thoughts on ways to eliminate certain tax loopholes which are often used by large corporations to ship jobs overseas. I agree that we should look for ways to eliminate these loopholes, which will help us lower rates and bring revenue back to the United States. I am concerned though that the Treasury Department is attempting to close a current policy which helps ensure that family farms and ranches are passed down through generations. That is why I would encourage the Treasury Department to ensure that its August 4, 2016 proposed regulation, on changes to the estate tax and minority discount rules (REG-163113-02), does not unintentionally harm family farms and ranches.

For over two decades, family owned farms and ranches have used valuation discounts under current Treasury regulations to help pass down working businesses to future generations without having to face the estate tax. Unlike many other businesses and estates, working farms and ranches often have to make difficult decisions particularly as it relates to land and liquid capital and these minority discount rules have helped ease potential burdens.

Historically, these valuation discounts have been allowed, due to the fact that the minority stakes in these business do not come with the same decision making authority as the majority shareholder. These minority shares also often come with prohibitions which prevent the shares from being sold, thus decreasing their value.

As Treasury continues to work through proposed regulations, I strongly encourage you to ensure that you don't unintentionally raise taxes on family farms and ranches, which would be a significant blow to businesses who have historically been transferred from one generation to the next. I support the Treasury Department's efforts to weed out loopholes which are often only used by the wealthiest among us, but I urge you to do this in a way that won't be detrimental to our family farms and ranches.

I appreciate your consideration of my request and look forward to working with you to ensure that any new regulations are targeted.

Sincerely,

  
Jon Tester