

August 3, 2017

The Honorable Steven T. Mnuchin
Secretary of Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

RE: Comments on Notice 2017-38

Dear Mr. Secretary:

Thank you for the opportunity to comment in response to Notice 2017-38 identifying those tax regulations issued in 2016 that 1) impose an undue financial burden on taxpayers, 2) add undue complexity to Federal tax laws, and 3) exceed the authority of the Internal Revenue Service.

The undersigned organizations believe the proposed regulations issued under Section 2704 (REG-163113-02) last August meet all three of these criteria and we are grateful for their inclusion in the notice:

Proposed Regulations under Section 2704 on Restrictions on Liquidation of an Interest for Estate, Gift and Generation-Skipping Transfer Taxes (REG-163113-02; 81 F.R. 51413)

Section 2704(b) of the Internal Revenue Code provides that certain noncommercial restrictions on the ability to dispose of or liquidate family-controlled entities should be disregarded in determining the fair market value of an interest in that entity for estate and gift tax purposes. These proposed regulations would create an additional category of restrictions that also would be disregarded in assessing the fair market value of an interest. Commenters expressed concern that the proposed regulations would eliminate or restrict common discounts, such as minority discounts and discounts for lack of marketability, which would result in increased valuations and transfer tax liability that would increase financial burdens. Commenters were also concerned that the proposed regulations would make valuations more difficult and that the proposed narrowing of existing regulatory exceptions was arbitrary and capricious.

To more accurately measure the harm these regulations would impose on family businesses and their employees, the undersigned organizations sponsored a study entitled "An Economic Analysis of Proposals to Limit the Recognition of Valuation Discounts for Transfers of Interests in Large Family Businesses" prepared by Robert J. Shapiro, Ph.D.

The study found that the economic impact of the Proposed Section 2704 Rule would be far-reaching and severe, costing the U.S. economy nearly 106,000 jobs and reducing the Gross Domestic Product by more than \$150 billion over the next 10 years alone.

We respectfully submit this study as evidence of the harm the proposed Section 2704 regulations would cause to family businesses and their employees and we encourage Treasury in the strongest terms to withdraw these pending regulations as quickly as possible.

Sincerely,

Associated Builders and Contractors

Independent Community Bankers of America

The Private Investor Coalition

Real Estate Roundtable

S Corporation Association