

## **Comments to the U.S. Treasury Department Supporting the Proposed Rule on the Estate & Gift Taxes Valuation Discount**

TO: Internal Revenue Service, Department of the Treasury  
RE: Comments on REG-163113-02, the Estate, Gift, and Generation-skipping Transfer Taxes; Restrictions on Liquidation of an Interest  
DT: November 2, 2016

The 45 organizations that have signed these comments, which represent tens of millions of members, strongly support finalizing the [proposed rule](#) that would put an end to the “valuation discount loophole.”

We are concerned that the wealthy and many large corporations avoid paying their fair share of federal taxes by taking advantage of sophisticated interpretations of the law and regulatory guidance. We strongly support Treasury moving to address these instances of tax avoidance wherever possible and appropriate. The present Treasury action is just such a situation and represents a highly appropriate action on Treasury’s part to protect the tax base and enforce the intent of the tax law in this area.

The estate and gift taxes have become riddled with loopholes the wealthy exploit eroding the intended scope and revenue-raising potential of these progressive taxes. Instituting new rules to close one of these loopholes—valuation discounts—is an important step toward restoring the estate and gift taxes to their intended scopes. Treasury’s proposed administrative action is important and hopefully the beginning, not the end, of such steps.

The estate tax was implemented 100 years ago to impose a check on the concentration of wealth held over long periods until the death of the family patriarch and to generate much needed revenue. Loopholes in the estate tax enable the wealthy to dodge paying their fair share of taxes. While the nominal tax rate on estates is 40%, the [effective tax rate is currently only about 17% for all estates that are taxed and under 19% for estates above \\$20 million](#).

The valuation discount loophole enables estate planners to place assets in specially created companies and other entities for the sole purpose of reducing the assets value for tax purposes. This technique can discount the value of assets by as much as 40%, artificially reducing the value of an estate below the taxable threshold. The estate tax is the only time that this wealth is going to be subject to tax since the heirs will receive all bequests tax free. Closing this loophole could generate about [\\$18 billion](#) over 10 years.

By comparison, for less than \$15 billion we could help end family homelessness by helping 550,000 homeless families with children pay for housing over the next 10 years ([\\$11 billion](#)), and help a million young people get their first job through partnerships with businesses and communities ([\\$3.5 billion](#)).

While closing this loophole is important, it should be followed by further action to close loopholes like the Grantor Retained Annuity Trust (GRAT), which can be done at least partially through executive action. The GRAT, a complex trust that enables the ultra-wealthy to dodge estate, gift and generation skipping taxes, may have cost an estimated [\\$100 billion](#) in lost revenue since 2000. It will also likely allow the heirs of at least one billionaire to dodge nearly \$3 billion in taxes.

It is unconscionable that tax loopholes exclusively benefiting the very rich should be allowed to continue. We're hopeful that closing the valuation discount loophole is just the first of consistent efforts to preserve fairness and balance in the tax system, including by protecting the integrity of the estate and gift tax.

Sincerely,

AFL-CIO

Alliance for Retired Americans

American Association of University Women (AAUW)

American Federation of Government Employees

American Federation of State, County & Municipal Employees

American Federation of Teachers

Americans for Democratic Action

Americans for Tax Fairness, a coalition of [425 endorsing organizations](#)

Bend the Arc Jewish Action

Campaign for America's Future

Center for Biological Diversity

Children's Defense Fund

Citizens for Tax Justice

Coalition on Human Needs

CREDO

Demand Progress

Economic Policy Institute

Friends of the Earth

Institute for Policy Studies, Program on Inequality

International Union, United Automobile, Aerospace and Agricultural Implement  
Workers of America (UAW)

National Association of Social Workers

National Education Association

National Latino Farmers & Ranchers Trade Association

National Low Income Housing Coalition

National Organization for Women  
National Priorities Project  
NETWORK Lobby for Catholic Social Justice  
9to5, National Association of Working Women  
National Women's Law Center  
Other 98  
Patriotic Millionaires  
People's Action  
Progressive Congress Action Fund  
Public Citizen  
Responsible Wealth  
RESULTS  
Service Employees International Union  
Social Security Works  
The Arc  
Unitarian Universalists for Social Justice (UUSJ)  
United for a Fair Economy  
United Steelworkers  
Voices for Progress  
Working America  
Working Families Party