

October 28, 2021

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

The Honorable Kevin Brady  
Ranking Member  
Committee on Ways and Means  
1139 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

The undersigned organizations, representing millions of individually- and family-owned businesses, strongly urge you to reject the proposed changes to the grantor trust and valuation rules in H.R. 5376, the Build Back Better Act.

Individually- and family-owned businesses are the cornerstone of the American economy. They represent nearly all businesses, they employ the vast majority of private sector workers, and they are the building block upon which innumerable communities across this country are built. Many individual and family business owners, including family businesses with ownership shares held in trust, will be directly harmed by the tax increases resulting from these proposals.

The changes related to the taxation of grantor trusts would eliminate the usefulness of the grantor trust for normal and legitimate business (non-tax) purposes, such as facilitating the transfer of business ownership between generations and protecting assets from liability or creditor claims of a trust beneficiary.

Worse, these new rules would unfairly punish taxpayers who relied on decades-old laws and Internal Revenue Service guidance to establish estate plans to transfer family businesses to future generations, threatening the viability of thousands of family businesses across the country. In some cases, these plans have been in place for decades, and it is simply unfair for Congress to step in and retroactively change them now, just when they are to be called upon to help with the transfer of a family business from one generation to the next.

In a similar vein, the changes related to the valuation of interests in entities holding so-called “passive assets” (including real estate) are unnecessarily overbroad. They undermine the settled principle that property is valued for transfer tax purposes at its “fair market value” by imposing tax based on a value greater than fair market value when non-controlling or non-marketable interests are transferred.

The changes broadly apply to all interests in any entity holding “passive assets,” whether or not the interest owner can actually access a proportionate share of those assets, whether or not the amount paid by the interest owner to acquire the interest was significantly less than a proportionate share of the assets of the entity, and whether or not the transferor or transferee has any control over the entity. As such, the changes unfairly impose transfer taxes on “phantom

assets” and “phantom value” that an owner of the interest often has no ability to access. If enacted as drafted, family farms, ranches, and operating businesses across the country would be harmed.

In sum, we strongly believe that the proposed changes to the grantor trust and valuation rules are overbroad and produce unfair and unreasonable results, and we urge Congress to reject them.

Sincerely,

AICC, The Independent Packaging Association  
American Building Materials Alliance  
American Farm Bureau Federation  
American Foundry Society  
American Horse Council  
American Lighting Association  
American Mold Builders Association  
American Sheep Industry Association  
American Subcontractors Association  
American Supply Association  
AmericanHort  
Associated Builders and Contractors  
Associated Equipment Distributors  
Associated General Contractors of America  
Auto Care Association  
California Association of Winegrape Growers  
Construction Industry Round Table  
Decorative Hardwoods Association  
Family Business Coalition  
Financial Executives International  
FMI - the Food Industry Association  
Forest Resources Association  
Hardwood Federation  
Heating, Air-conditioning, & Refrigeration Distributors International  
ICSC  
Independent Community Bankers of America  
Independent Electrical Contractors  
Independent Insurance Agents and Brokers of America  
Industrial Fasteners Institute  
International Dairy Foods Association  
International Foodservice Distributors Association  
International Franchise Association  
International Warehouse Logistics Association  
Main Street Employers Coalition  
Manufactured Housing Institute  
Metals Service Center Institute  
Mortgage Bankers Association

NAHAD, The Association for Hose and Accessories Distribution  
National Apartment Association  
National Association of Home Builders  
National Association of Insurance and Financial Advisors  
National Association of Manufacturers  
National Association of Professional Insurance Agents  
National Association of RV Parks and Campgrounds (ARVC)  
National Association of Women Business Owners (NAWBO)  
National Beer Wholesalers Association  
National Cattlemen's Beef Association  
National Community Pharmacists Association  
National Confectioners Association  
National Corn Growers Association  
National Cotton Council  
National Council of Agricultural Employers  
National Electrical Contractors Association  
NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION (NEMRA)  
National Federation of Independent Business  
National Grocers Association  
National Multifamily Housing Council  
National Onion Association  
National Peach Council  
National Pork Producers Council  
National Ready Mixed Concrete Association  
National RV Dealers Assoc. (RVDA)  
National Small Business Association  
National Stone, Sand & Gravel Association  
National Tooling and Machining Association  
National Waste & Recycling Association  
North American Association of Food Equipment Manufacturers (NAFEM)  
North American Die Casting Association  
North American Meat Institute  
North Carolina Forestry Association  
Ohio Corn & Wheat Growers Association  
Plumbing-Heating-Cooling Contractors—National Association  
Policy and Taxation Group  
Precision Machined Products Association  
Precision Metalforming Association  
PRINTING United Alliance  
Private Investor Coalition  
The Real Estate Roundtable  
S Corporation Association  
Small Business & Entrepreneurship Council  
Southeastern Lumber Manufacturers Association  
Spray Polyurethane Foam Alliance  
Tire Industry Association

Truck Renting and Leasing Association  
U.S. Chamber of Commerce  
US Rice Producers Association  
US Sweet Potato Council  
USA Rice  
Western Equipment Dealers Association  
Western Growers  
WF&FSA, The Wholesale Florist and Florist Supplier Association  
Wine & Spirits Wholesalers of America  
Wine Institute