

## **PUBLIC HEARING ON PROPOSED REGULATIONS**

“Estate, Gift, and Generation-Skipping Transfer Taxes; Restrictions on  
Liquidation of an Interest”

[REG-163113-02]

December 1, 2016

### Comments of Clarene Law

Hi, my name is Clarene Law and I am a family business owner and resident of Jackson, Wyoming. I appreciate the opportunity to testify at today’s hearing.

I started Elk Country Motels as a 28-year old back in 1962. My funding came from my mother and father—a housewife and blue collar road construction worker—who had little money but lots of pride. They trusted me with their life savings of \$10,000 and enabled me to purchase a small, 17-room motel, with 12 cabins and rooms above the office.

Since its inception, Elk Country Motels has been a family operation. My mother, father, and all of my children have worked, and continue to work, in our business, while their children did the same while attending

school in the area. Some have now graduated from college and are looking forward to coming home and having a job at the family business.

My entire family has sacrificed and worked hard to make this businesses successful. Sometimes, this meant sleeping on the floor because their beds were rented out. Other times, it meant working while their friends went to summer camps.

Over 50 years later, our small business has grown and provided my extended family and employees with a stable living. Today we manage 450 rooms, all in Jackson, and employ over 100 people.

Continuing this family business is of the utmost importance to me. I have high hopes of passing it onto my children and grandchildren. I feel we can only accomplish my wish for succession with favorable tax consideration which acknowledges legacy businesses such as ours.

All my children have college degrees, and each of them went away to school. Two of the three and their spouses came back to help me manage the hotels. I must not destroy their dreams of continuing our legacy. These children are now in their 50s and have dedicated their

lives towards building and expanding their heritage. All have contributed heavily in public service and are the fiber and vibrancy of our town. My husband and I would like to convey our respective interests through gifting and selling to children who wish to continue the business where they have worked, sacrificed and built.

The proposed regulations under Section 2704 have the potential to severely disrupt these plans. Ownership of Elk Country Motels and our other limited liability companies is divided between my 3 children, myself, my husband and our trusts—all minority interests.

The IRS' application of family attribution could result in all these interests being valued as if they were controlling, preventing the use of legitimate valuation discounts and leading to estate tax increases that the next generation would have to bear.

This could force my descendants to sell the business in order to pay the taxes. After 55 years of operation, this family would like to stay in business and not just sell out to corporate America.

It's not just my business that these rules would hurt. Our neighbors face the same challenge. Jackson, Wyoming is an area of escalating

property values, largely driven by investors and investment fund purchases. Teton County has seen assessed evaluations escalate sharply in recent years, with commercial real estate leading the charge.

In Wyoming, assessors are charged with taxing current market value largely driven by comparative sales, not net income. This approach often results in valuations that far exceed the income the properties can generate, with or without estate taxes.

Meanwhile, our State Board of equalization is demanding a 30 percent increase in assessed values for Teton County's commercial properties. There is no earnings test, so again assessed evaluations are often greater than earning capability.

Perhaps a hedge fund can reasonably pay these inflated prices, but a small, closely-held businesses such as ours cannot. The estate tax forces family businesses like ours to buy back a large part of the business every generation, placing an additional strain on the business that is simply not felt by the public companies with whom I compete. They don't have to face this burden, but I do.

Ranch land, particularly in Wyoming, is under the same pressure. It would be virtually impossible to pass heritage ranches on to future generations should minority discounts be compromised.

Just like our small businesses, our ranchers want to remain on their land and pass their heritage onto children and grandchildren. While they could always make the decision to sell at some point in the future, they should not be compelled to do so by the tax code.

That obviously would be bad for our family businesses and ranches, but it would also be bad for our community. Hedge funds and absentee owners may have lots of money, but they seldom serve the community. Family ownership is not only better for the management of a company, it is also better for the communities in which they reside. When I make a decision to hire or invest, I literally have to live with the consequences.

My husband and I along with their children and their spouses have had the opportunity to build the American dream. We think future generations ought to have the same opportunity.

Thank you for allowing me to tell our story. I am honored by our democracy and the ability to raise these concerns in at this hearing.