



October 25, 2016

The Honorable Warren Davidson  
1011 Longworth House Office Building  
Washington, D.C. 20515

Dear Congressman Davidson:

On behalf of American Foundry Society (AFS), we would like to thank you for introducing the ***Protect Family Farms and Businesses Act*** (H.R. 6100) which would halt the Department of Treasury's proposed changes to Section 2704 on estate and gift tax valuation discounts from taking effect. The proposed regulation incorporates some of the most sweeping changes to estate tax policies in the last 25 years. These changes could increase estate and gift taxes on family-owned businesses by an estimated 30 percent or more.

The proposed changes to the way business assets would be valued for estate tax purposes when they are part of a family-owned partnership, LLC or corporation **threaten family-owned foundries in your district, state and across the country**. Foundries are predominantly small businesses, with 80 percent having less than 100 employees. In fact, many are still family-owned with the third or fourth generation running these manufacturing facilities.

How assets are valued makes a dramatic difference for gift and estate tax purposes. Specifically, the proposal would change how the Internal Revenue Service (IRS) values minority interests in family-owned businesses for estate tax purposes. AFS believes that the minority valuation discount should apply in family-owned businesses. The IRS is unfairly targeting family-owned enterprises based on the erroneous assumption that families operate in complete unanimity.

These proposed rules would impose significant new tax costs on family-owned foundries, forcing them to divert capital from investments back into the plant, costing jobs and threatening the ability of families to pass businesses on to the next generation of owners.

AFS is the major trade and technical association for the North American metalcasting industry with over 7,000 members. Currently, there are 1,965 foundries employing over 200,000 employees in the United States. Metal castings are the foundation for all other manufacturing. In fact, 90 percent of all manufactured goods and capital equipment incorporate engineered castings into their makeup. Our industry provides castings to a wide variety of industries, including, but not limited to: national defense, automotive, renewable energy, aerospace, medical, agriculture, construction, railroad, electric transmission, oil and gas, and infrastructure.

Once again, thank you for introducing H.R. 6100. We applaud your leadership on this important issue and look forward to working with you to stop this proposal. If you or your staff have any questions, please do not hesitate to contact me at [202/452-7135](tel:2024527135) or [ssalmon@afsinc.org](mailto:ssalmon@afsinc.org)

Sincerely,

Stephanie Salmon  
Vice President Government Affairs  
American Foundry Society

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