

Mr. Terry Fankhauser, Vice President
Colorado Cattlemen's Association
8833 Ralston Rd.
Arvada, Co. 80002

November 5, 2007

Dear Terry:

I enjoyed talking with you last week about some of the problems facing high mountain cattle ranches.

One of them, the estate and/or gift tax is particularly troubling to our family. But first let me describe our ranch.

Our ranch is a cow/calf ranch on 3,000 deeded acres in the Capital Creek Valley 25 miles from Aspen. We run 165 mother cows and 9 bulls. This year we put up about 475 tons of hay. Two of our children, a son and a daughter, live on the ranch with their families. Another son lives nearby in Basalt. They are all owners and would like to continue ranching as well as preserve a beautiful place.

However, they know and I know that is probably impossible because of the probable future gift or estate tax that will necessitate selling about half of the ranch. And so they must think of a plan to do something else.

The reason, of course, is that if I were to gift to them the ranch or I was to die and they would inherit the ranch, the federal and state government would value the ranch, not as a ranch with limited income, but as a potential second home subdivision. The latter value could be fifty times higher than the ranch value. The result: The government forces the end of another Colorado ranch.

Why, pray tell, can't the government value a ranch as a ranch if that is what the heirs plan to do? I, personally, am not against paying fair taxes, but it is not fair to tax something for what it is not.

If my two sons and daughter or their children want to subdivide the ranch and get out, fine. At that point the government can and should tax them heavily for the healthy gains they will make. But not now or years and years before anyone even gets the idea to sell.

As magnificent as Colorado is, and as desirable to own from people from all over the world, this unfair and unjust approach to value will ultimately suburbanize most of all mountain rural Colorado.

The losers will be the ranchers and residents as well as visitors who cherish open vistas with cattle and irrigated fields.

The winners will be the federal and state government, the realtors and the lawyers.

I would like to help you and the Colorado Cattlemen's Association try and correct this sad condition.

You know, for the long term point of view, from the point of view of our grandchildren and beyond, maybe the "highest and best use" isn't another subdivision. Maybe it is exactly what we're doing now!

Sincerely yours,
John McBride
Lost Marbles Ranch
Old Snowmass, Co.

P.S. Much of Europe seems to have figured this out. For the most part their farms and ranches are valued when transferred within families like a stock, at a multiple of net income. As a consequence, while generational ownership changes, the landscape does not. What a great benefit to countries like Austria and

Switzerland. Such preservation is for them a big factor in promoting tourism. The same could be true in Colorado, for our landscape is every bit as beautiful and special as theirs.

Cc; Sen. Ken Salazar
Cong. John Salazar
Cong. Mark Udall
Gov. Bill Ritter
Rep. Gail Schwartz

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