



AMERICAN AGRI-WOMEN 2022

TAXATION

ISSUE: Changes to tax laws. Passing the family operations to the next generations without tax hardship is imperative to the continuation of the farm and ranch operations in the United States. The survival of the farm and ranches must be considered in tax laws, for family operations to survive, operate and provide nutritious, affordable food and products to the United States and the world.

AMERICAN AGRI-WOMEN REQUEST:

American Agri-Women Urge Congress and the Administration to apply the following tenets in tax law.

BACKGROUND:

Estate & Gift Tax:

- The American Agri-Women are afraid for the farmers and ranchers if the **estate tax exemption** set up by the Tax Cuts and Jobs Act of 2017 is allowed to expire as of January 1, 2026. Currently the estate tax exemption for 2022 stands at \$12.06 million and has increased for inflation each year. This has allowed many farms and ranches to transition to the next generation upon the death of the owner, operator, father, mother, grandparents, or loved ones. If the estate tax exemption is allowed to expire, the exemption could drop to as low as \$3.5 million under the Build Back Better Plan causing farms and ranches to be sold and the end of the farms and ranches as we know them. Inflation has caused the value of agricultural and ranch land and equipment to increase. With that, **the estate exemption must also increase with inflation.**
- For agricultural estates to pass to the next generation, the estate tax exemption along with the **stepped-up basis** on all assets must be maintained. A stepped-up basis is mandatory, as it is the value of the asset at the time of death. Inflation has raised the value much higher than the cost basis of the asset. If the stepped-up basis were not allowed, a beneficiary would need to pay tax on the inherited property that would include the difference of the purchased basis to the inflated market value at death. Without cash to pay taxes, the taxes would only be able to be paid by selling property that was to be used to continue the farm and ranch operation. With the sale, the inherited property would again be taxed as it would be sold at market and the basis would be the basis at time of death. Again, more property would need to be sold and more taxes paid. The farm and ranch would be extinct.



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- To save the family farms and ranches, the current **estate tax rates need to decrease**. We ask that Congress support ways to allow the transition and succession of farms, ranches, and small businesses to survive and grow following the loss of loved ones. Without farms and ranches, our country will not survive.

Capital Gains Tax:

- AAW does not support raising the Capital Gains tax rate but to decrease. AAW supports the use of the capital gains tax rate with the sale of all agricultural farmland, equipment, animals, and purchased property.

Tax increases:

- To allow agricultural operations, ranches, and small businesses to survive, taxes can not be raised as in a “**Small Business Surtax.**” By expanding a surtax on S Corporations, LLC’s, sole proprietorships, and partnerships and lowering income thresholds on family trusts will cripple small businesses. Small businesses, agricultural and ranches are not cash rich. Money that is made only goes back into the operation. **We ask that you support the survival of small businesses, the family farm, and ranches by reducing taxes not raising.**

Additional Tax Positions:

- AAW supports the continuation of the bonus depreciation to be 100% (up from 50%) for all qualified property placed in service through Dec.31, 2022 and support extending past that date.
- AAW supports the continuation of the Sec. 199A deduction for pass-through businesses. Currently set to run through 2025.
- AAW supports the depreciation recapture rules when farm and business depreciable assets are sold on retirement or cessation of business.
- AAW does not support increases in tax rates for corporate farm operations or for sole proprietors.
- AAW supports tax-deferral options by using installment sales and Sec. 1031 like-kind exchange.
- AAW supports special exemptions for purchases of machinery, equipment, land improvements, livestock, and buildings. Supports the accelerated depreciation to allow a shortened recovery period of 15 years versus 39 years for “qualified improvement property”.



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- AAW supports the continuation of electing to expense certain property under Section 179 expensing election.
- AAW supports measures that provide tax simplification for farmers, ranchers, and small business and opposes any effort to make tax laws more burdensome.
- AAW supports the cash accounting method for family farmers and ranchers, regardless of income.
- AAW supports the deductibility of all inputs and business expenses, regardless of origin.
- AAW supports interest paid on business loans as fully deductible as the cost of doing business.
- AAW supports FICA and Medicare taxes (Self-Employment tax) to be assessed only on wages, not on pass through dividends to shareholders from corporate-structured farms.
- AAW supports the 100% deduction for health insurance for the self-employed and family-owned corporations regardless of business structure. Prevent a government run family and medical leave program regardless the number of employees.