



AMERICAN AGRI-WOMEN 2023

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:

- **H.R.338** Consider a bill being sponsored by Rep. Latta (R-OH-5). To amend the Internal Revenue Code of 1986 to repeal the estate tax and retain stepped-up basis.
- 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 2023 stands at \$12.92 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 inflated market value at death less the original purchased basis. Without cash to pay taxes, the assets that were just inherited would need to be sold at the market rate and taxes paid out



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again. For agriculture and ranching, this would be the end of the family farm and ranch.

- To save the family farms and ranches, the current **estate tax rates need to decrease or be repealed**. 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**.
- A capital gains tax rate is currently on the sale of all agricultural farmland, equipment, animals, and purchased property. If the capital gains tax rate were to increase, the funds needed to continue providing food and products for the nation and world would be lost on taxes. Agriculture and Ranches, bankrupt.

Tax increases:

- To allow agricultural operations, ranches, and small businesses to survive, taxes cannot be raised as in a **“Small Business Surtax.”** 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 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.** To say that a tax increase would affect only the high-income individuals is false. It would affect all small businesses, farmers, ranchers, and tax paying individuals.

Additional Tax Positions:

- **Consider the bill sponsored by Sen. Cruz (R-TX) S.314.** AAW supports permanently allowing a tax deduction at the time an investment of qualified property and assets are made.
- 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.



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- AAW does not support increasing tax rates, with a flat inflated rate for corporate farm operations and businesses or increasing individual rates and decreasing the income threshold to \$400,000.00.
- AAW supports tax-deferral options by using installment sales and Sec. 1031 like-kind exchange.
- AAW does not support the repeal of “step-up basis”. The “step-up basis” is not a loophole to avoid taxes. It is a necessary event to pass the ability to provide food and products for the nation to the next generation.
- AAW does not support an increase in investment tax on all small businesses, including farmers and ranchers with an income over \$400,000.00. This income is needed to continue the business.
- 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”.
- 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.