

# United States Senate

WASHINGTON, DC 20510-0609

May 13, 2021

The Honorable Charles E. Schumer  
Majority Leader  
S-221, United States Capitol  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Republican Leader  
S-230, United States Capitol  
Washington, D.C. 20510

Leader Schumer and Leader McConnell,

We write today to respectfully urge you to oppose the alteration or elimination of step-up in basis in any tax reform or infrastructure proposal, especially in relation to agriculture. Removing or repealing this tax provision would be detrimental to family farms and ranches, many of which are small businesses. This tool is one of the few options for these hardworking families who wish to continue multigenerational family farms and ranches.

Step-up in basis allows a farmer or rancher to pay capital gains taxes only on the property's increase in value after inheritance rather than on the full increase in value since it was initially purchased by a parent or grandparent. Farm assets including land, equipment, and livestock are subject to stepped-up basis. In recent years, the asset values in agriculture have appreciated significantly, with cropland values increasing by more than 120% since 1997 in more than half of states across the country. In much of the heartland, this number increases to over 200% appreciation, and in some cases over 300%, in farmland values since the U.S. Department of Agriculture began tracking this data in 1997. What this means is that across the country, farmers and ranchers are facing an average capital gains tax of \$560 per acre, according to the American Farm Bureau Federation.<sup>[1]</sup> This amount is significantly larger than the rental cash income generated on farmland and the average profit per acre. The bottom line is that it would take several years of income to pay such a large and burdensome tax obligation.

A recent study<sup>[2]</sup> conducted by EY highlighted that eliminating step-up basis would have negative impacts on family-owned businesses, US gross domestic product, and job creation both now and in the future. At a macroeconomic level, the repeal of this tax provision would increase the cost of capital and place a disproportionate burden on workers, reducing both overall wages as well as job availability. EY estimates in the report that US GDP will fall by \$100 billion over the next 10 years, and creates compliance concerns and legal disputes between taxpayers and the Internal Revenue Service.

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<sup>[1]</sup> <https://www.fb.org/market-intel/elimination-of-stepped-up-basis-poses-hazards-to-family-farms#:~:text=To%20reduce%20the%20capital%20gains,at%20the%20date%20of%20death.>

<sup>[2]</sup> [https://www.fb.org/files/FBETC\\_Stepped-Up\\_Basis\\_Report\\_2021](https://www.fb.org/files/FBETC_Stepped-Up_Basis_Report_2021)

The increased tax burden borne by family-owned businesses will lead to increased liquidation of assets. Many estimate that the one-time capital gain experienced after the elimination of this tax provision could be much larger than the annual income of the actual business, requiring either the assumption of significant new debt or liquidation of key assets, severely limiting the business' viability moving forward. According to EY, "both the estate tax and any efforts to repeal step-up in basis will create cash flow problems for family businesses and increase the likelihood that these job creators will be forced to close or liquidate part of their operations, resulting in job losses and economic damage."

Step-up in basis is a key provision used by farm and ranch operations across the country to maintain multigenerational operations and ensure the economic growth and viability of these businesses into the future. Removal of this provision would devastate hardworking farm and ranch families and disincentivize the agriculture industry from passing down from generation to generation. While some argue that removal of this provision would only impact the wealthiest of family dynasties, it instead disproportionately impacts hardworking, middle-class families, workers, and the broader economy as a whole. We strongly oppose any attempt to eliminate this provision.

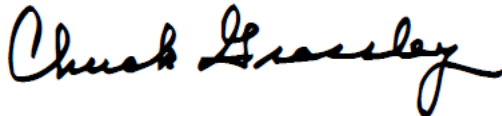
Sincerely,



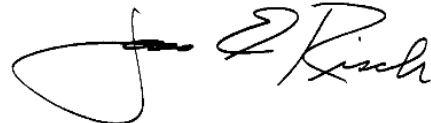
Roger Marshall, M.D  
United States Senator



John Hoeven  
United States Senator



Chuck Grassley  
United States Senator



James E. Risch  
United States Senator



Ted Cruz  
United States Senator



Kevin Cramer  
United States Senator



M. Michael Rounds  
United States Senator



Deb Fischer  
United States Senator

Jerry Moran

Jerry Moran  
United States Senator

A handwritten signature in blue ink that reads "Joni K. Ernst". The signature is written in a cursive style with a large initial 'J'.

Joni K. Ernst  
United States Senator

A handwritten signature in blue ink that reads "James M. Inhofe". The signature is written in a cursive style with a large initial 'J'.

James M. Inhofe  
United States Senator

CC: The Honorable Ron Wyden, Chairman, Senate Finance Committee  
The Honorable Mike Crapo, Ranking Member, Senate Finance Committee