

# United States Senate

WASHINGTON, DC 20510

May 19, 2021

The Honorable Tom Vilsack  
Secretary  
United States Department of Agriculture  
1400 Independence Avenue, S.W.  
Washington, DC 20250

Dear Mr. Secretary,

As you know, President Biden recently announced several tax proposals to fund the \$1.8 trillion American Families Plan. Several provisions in particular are concerning for agriculture and forestry. First, the plan would eliminate the step up in basis above \$1 million per individual or \$2 million per couple. Second, the plan would increase the capital gains tax to as much as 43.4% for individuals with an income over \$1 million. Finally, the plan would place a cap on the use of like-kind exchanges. We are deeply concerned about the impact of these proposed tax policy changes on America's family farms and ranches.

Farmers are concerned too. A recent study by Purdue University confirms the angst in the farm community with 95% of farmers indicating they are concerned or very concerned that these changes in tax policy would impact their ability to pass their family farms down to future generations.<sup>1</sup> Additionally, 87% of farmers are concerned about higher capital gains taxes and 75% of farmers are concerned about changes to stepped-up basis.

Following the release of the American Families Plan, USDA issued a statement indicating that 98% of farm estates will not owe any tax at transfer, provided the farm stays in the family. We have reviewed USDA's analysis of estate tax provisions on farms and farm families<sup>2</sup>, but we are not aware of any publicly-released USDA study on the impact of changes in the capital gains tax rate, the step-up in basis and like-kind exchanges as proposed in the American Families Plan.

The proposed tax impacts are dependent on a number of factors, including but not limited to appreciation in farmland assets prior to a property owner's death, size of the farm operation and associated assets, income of the heirs, and the farm's ownership structure. Given these factors, we are writing to seek a detailed explanation and supporting economic analysis clarifying how these tax provisions will affect farm estates, including specifically how USDA arrived at the conclusion that fewer than 2% of farm estates will be impacted by the proposed tax changes. As part of your explanation, please be sure to specify what special rules or exceptions you are assuming would exist for farm estates and include a breakdown of your analysis by farm type and farm size.

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<sup>1</sup> Purdue Center for Commercial Agriculture. Ag Economy Barometer. May 2021.

<https://ag.purdue.edu/commercialag/ageconomybarometer/wp-content/uploads/2021/05/April-2021-Ag-Economy-Barometer.pdf>

<sup>2</sup> USDA Economic Research Service. 2018. Estimated Effects of the Tax Cuts and Jobs Act on Farms and Farm Households. <https://www.ers.usda.gov/webdocs/publications/89356/err-252.pdf?v=4984.2>

We appreciate your consideration and respectfully request a written response within 30 days.

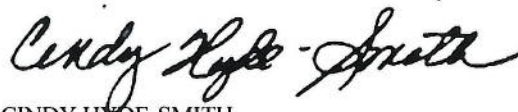
Sincerely,



John Boozman  
Ranking Member,  
Senate Committee on Agriculture, Nutrition and Forestry



CHARLES E. GRASSLEY  
United States Senator



CINDY HYDE-SMITH  
United States Senator



ROGER MARSHALL, M.D.  
United States Senator



MIKE BRAUN  
United States Senator



TOMMY TUBERVILLE  
United States Senator



JOHN HOEVEN  
United States Senator



JONI K. ERNST  
United States Senator