



ESTATE TAX REPEAL

Issue:

The Tax Cuts and Jobs Act, passed in 2017, temporarily doubles the estate tax exemption to \$11 million per person indexed for inflation through 2025. (The indexed exemption value in 2023 is \$12.9 million per person.) In addition, the legislation preserves step-up in basis and continues to allow the transfer of any unused exemption to a surviving spouse. The new exemption level protects the vast majority of our nation's farms and ranches from the devastating consequences of estate taxes, but a potential return to a \$5.5 million per person exemption in 2026 or before is troublesome. With the threat of a return of a lower exemption, instead of spending money to upgrade buildings, purchase equipment and further invest in livestock herds, farmers and ranchers will continue to divert resources to pay for estate planning and life insurance. Farm Bureau supports making the \$11 million estate exemption indexed for inflation permanent as a step toward the eventual repeal of estate taxes.

Background:

Individuals, family partnerships and family corporations own over 98 percent of our nation's more than 2 million farms and ranches. America values these family-owned farms and ranches because of the food, fiber and fuel they produce; the contribution that agriculture makes to job creation and the economy; and the open space that farming and ranching protect. Yet, our nation's estate tax laws have often been in direct conflict with the desire to preserve and protect family-owned farms and ranches.

Farm Bureau believes that tax laws must protect, not harm, the family farms that grow America's food, fuel and fiber, which often have very low rates of return on their assets. What is needed are tax policies that do not punish capital-intensive businesses like farms and ranches, and that do not hinder sons and daughters from following the agricultural legacy of their parents.

The value of family-owned farms and ranches are tied to illiquid assets such as land, buildings and equipment. 82% of farm assets are in illiquid farm real estate, so producers have few options when it comes to generating cash to pay the estate tax. When estate taxes on an agricultural business exceed cash and other liquid assets, surviving family partners may be forced to sell land, buildings or equipment needed to keep their businesses running. This can not only cripple a farm or ranch operation, but also hurts the rural communities and businesses that agriculture supports.

Despite the much-appreciated relief provided by the Tax Cuts and Jobs Act, the cost of estate tax planning continues to be a burden for our nation's farm and ranch families. Unless Congress acts to make the \$11 million per person exemption permanent, the exemption will be reduced back to \$5.5 million in 2026. Crop and farmland values continue to appreciate. On average, farm real estate land values are nearly 50 percent higher than they were a decade ago. As a result, more farms and ranches could top a \$5.5 million estate tax exemption and therefore must continue to divert resources from their operations to pay for estate tax planning.

Legislative Status:

The Tax Cuts and Jobs Act temporarily doubled the estate tax exemption to \$11 million dollars per person indexed for inflation through 2025. In addition, it continues step-up in basis and the transfer of any unused exemption to the surviving spouse. In 2026 the exemption will revert to \$5.5 million per person. Farm Bureau supports making the Tax Cuts and Jobs Act estate exemption permanent as a step toward permanent repeal.

Farm Bureau supports **H.R 7035**, the Death Tax Repeal Act, introduced by Reps. Feenstra (R-IA) and Bishop (D-GA). The bill has 166 cosponsors.

Farm Bureau supports **S. 1108**, the Death Tax Repeal Act of 2023, introduced by Sen. John Thune (R-SD). The bill has 41 cosponsors.

AFBF Policy:

Farm Bureau believes that estate taxes should be permanently eliminated.

Farm Bureau supports making the current \$11 million (indexed for inflation) exemption permanent.

Farm Bureau opposes the collection of capital gains taxes at death and supports the continuation of unlimited step-up in basis.

Farm Bureau supports allowing inherited farmland to be valued at agricultural value, rather than at development value, without limitation under Special Use Valuation Section 2032A. Timber harvesting or the sale of a conservation easement should not trigger a recapture of estate taxes under Section 2032A.

Contact: Dustin Sherer | 202-406-3670 | dustins@fb.org

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