



October 15, 2024

Rep. Adrian Smith
Chair, Rural America Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. Michele Fischbach
Vice Chair, Rural America Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. Randy Feenstra
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. David Kustoff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. Greg Steube
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Smith and members of the Rural America Tax Team:

The Family Business Estate Tax Coalition (FBETC) appreciates the opportunity to submit comments regarding the estate tax as part of the Ways and Means Tax Teams information gathering process.

Historically, the FBETC has supported the full and permanent repeal of the estate tax. Absent full and permanent repeal, the FBETC has supported the temporary increase of estate tax exemption thresholds indexed for inflation, permanent lower tax rates, and provisions for spousal transfer and stepped-up basis. Additionally, the FBETC supported the temporary estate tax relief in the Tax Cuts and Jobs Act (TCJA), which doubled the exemption to approximately \$11 million for tax year 2018 and indexed future increases for inflation through 2025 (currently \$13.6 in 2024).

As you consider your options for extending or making permanent expiring provisions of the Tax Cuts and Jobs Act in 2025, we urge you to consider the following:

1. **Maintain Stepped-Up Basis:** Stepped-up basis is critically important to family-owned businesses because it can significantly reduce the potential estate tax burden that may arise when the family passes on the property to the next generation.

When a property owner passes away, the basis (or original purchase price) of the property is "stepped up" to the current market value at the time of their death, rather than being based on the original purchase price. This is beneficial because if heirs must sell the property, they only pay capital gains tax on the difference between the sale price and the stepped-up value, not on the difference between the original purchase price and the sale price.

Family-owned businesses are often passed down through generations and can appreciate substantially in value over time. The original owners may have purchased property decades or even generations ago at a relatively low price compared to its current market value. Without the stepped-up basis, heirs would inherit the property with the original lower basis. If the property were sold immediately, they would be liable for paying capital gains taxes on the large increase in value that has accrued over time.

And for many family-owned businesses that have appreciated in value over generations, the combined value of the land, buildings, and equipment can exceed this threshold, triggering estate tax liability. Without a stepped-up basis, the heirs would face both the estate tax and possibly a large capital gains tax if they sell the property soon after inheriting it.

If the property receives a stepped-up basis at the time of the owner's death, the heirs' new basis will be the current market value of the land. If they sell the property shortly after inheriting it, they can sell it at or near this value with little or no capital gains tax owed, even though the business' value may have increased substantially over the years. This makes it much easier for heirs to retain and continue operating the business without having to sell it off, in part or in whole, to pay estate taxes or capital gains taxes.

Without the stepped-up basis, heirs may be forced to sell part or all of the family business to cover the estate tax bill, even if they want to keep the operation going. Stepped-up basis alleviates this pressure, allowing the family business to continue operating, which is particularly important for rural communities.

The stepped-up basis provision helps to reduce the combined impact of estate taxes and capital gains taxes on family-owned businesses, allowing them to remain in the family without the need for forced sales to cover tax liabilities.

2. **Estate Tax Relief:** The estate tax is overly burdensome on families trying to pass their business to the next generation. While the undersigned groups believe it should be repealed in its entirety, we all share concern that any reduction to the current enhanced exemption level will be detrimental for families looking to pass their businesses, farms and ranches to the next generation. The higher exemption

threshold alleviates the tax burden that often forces the selling of all or parts of family-owned businesses to pay the tax bill. At a minimum, keeping the current enhanced exemption level will ensure continuity of operations and preserve the family-owned businesses that are vital to our communities. For the agriculture sector alone, the United States Department of Agriculture's Economic Research Service estimates that estate taxes collected on farm and ranch operations would more than double to \$1.2 billion per year if the enhanced estate tax exemption is allowed to expire.

We urge you to consider America's family-owned businesses, farms and ranches as you contemplate major tax legislation next year and look forward to working with you to advance this important issue.

Sincerely,

Agricultural & Food Transporters Conference of ATA
Agricultural Retailers Association
Air Conditioning Contractors of America
American Beverage Licensees
American Council of Engineering Companies
American Farm Bureau Federation
American Foundry Society
American International Automobile Dealers Association
American Soybean Association
American Sugarbeet Growers Association
Associated Builders and Contractors
Associated General Contractors of America
Association of Equipment Manufacturers
Association for Manufacturing Technology
Auto Care Association
California Association of Winegrape Growers
Construction Industry Round Table
Distribution Contractors Association
Food Marketing Institute
Forest Resources Association
Hardwood Federation
Heating, Air-conditioning, & Refrigeration Distributors International
Independent Community Bankers of America
Industrial Fasteners Institute
International Franchise Association
Mason Contractors Association of America
National Association of Home Builders
National Association of Manufacturers

National Association of Wholesaler-Distributors
National Automatic Merchandising Association
National Automobile Dealers Association
National Beer Wholesalers Association
National Black Chamber of Commerce
National Cattlemen's Beef Association
National Cotton Council
National Council of Farmer Cooperatives
National Electrical Contractors Association
National Funeral Directors Association
National Grange
National Lumber & Building Material Dealers Association
National Milk Producers Federation
National Newspaper Association
National Onion Association
National Pork Producers Council
National Potato Council
National Renderers Association
National Roofing Contractors Association
National Small Business Association
National Tooling and Machining Association
NFIB
North American Die Casting Association
Outdoor Hospitality Industry
Petroleum Marketers Association of America
Plastics Industry Association
Policy and Taxation Group
Precision Machined Products Association
Precision Metalforming Association
S Corporation Association
Service Station Dealers of America and Allied Trades
Southeastern Lumber Manufacturers Association
Tire Industry Association
U.S. Apple Association
U.S. Chamber of Commerce
United Egg Producers
USA Rice Federation
Western Growers Association
Wine & Spirits Wholesalers of America