

Congress of the United States

Washington, DC 20515

March 21, 2024

Dear President Biden,

We write today on behalf of Americans across this nation that own and operate small businesses and family farms, and the employees and customers they serve. Since the founding of this nation, America's farmers and small businesses have been the backbone of our economy. Unfortunately, revenue proposals outlined in your FY2025 Budget Request will significantly burden these hardworking Americans. This is the third year in a row in which your Administration has sought to fuel its reckless spending agenda on the backs of family farms and small businesses.

As outlined in the Treasury Department's *General Explanations of the Administration's Fiscal Year 2025 Revenue Proposals*, your Administration has again proposed an array of tax hikes disproportionately borne by family farms, ranches, and other family-owned small businesses. Small business owners who want to pass on their businesses to their children would be exposed to devastating new tax increases in capital gains taxes, a new transfer tax on appreciated assets passed upon death, and restricting like-kind exchanges, amongst other tax increases, that threaten their continued operation. In 2018, nearly 40% of family farms reported capital gains or losses, significantly higher than the 14% of all individual taxpayers. However, the budget proposals add up to a capital gain and dividend tax rate of 44.6%, more than twice as high as China's capital gains tax rate of 20%. This excessive capital gain tax would apply on top of existing estate taxes, compounding the significant challenges farmers already face in passing down their multigenerational business. At the same time, the taxes will impact many Americans with incomes below \$400,000.

One particularly damaging provision of your budget – a cap on like-kind exchanges – would devastate our economy and harm our rural communities. Like-kind exchanges allow our farmers and other small business owners to improve their operations and invest in better income-producing properties by deferring taxes on unrealized gains. Four out of five individuals who utilize this tax deferral are qualified as small investors by the IRS. Therefore, any cap on the value of the property qualifying for like-kind exchanges would disproportionately burden small investors.

For the agricultural community, a cap on like-kind exchanges would limit farmers' ability to combine acreage, purchase more productive land, or mitigate environmental impacts, all of which help improve their operations and strengthen the nation's food supply. Further, capping like-kind exchanges could make it more difficult to restructure businesses so that young or beginning farmers can join operations. Such a limit could end up preventing retiring farmers from using like-kind exchanges to exchange their farm or ranch for other real estate, allowing for the next generation to take over without being forced to sell off assets to pay a huge tax bill to Washington. The negative impact of this policy would radiate outward from individual farm

owners and agricultural investors into the larger agricultural sector and the national economy at large.

Multigenerational businesses across all industries will be affected by the host of revenue proposals in the budget aimed at taxing capital gains upon transfer or death, which will be particularly damaging to family farms. Approximately, 40% of the nation's farmland is owned by farmers 65 and older, meaning that about 350 million acres of farmland are expected to change hands in the next 20 years. The farming workforce is uniquely dependent upon multigenerational farm families passing down their skill, experience, land, and agricultural operations to their children to ensure that America's farmers can continue to feed and fuel the world. With global population expected to grow by 2 billion over the next 25 years, farmers will need to grow 70% more food to meet demand. With these tax increases, your Administration is proposing to erect senseless new barriers for our future farmers to take over their family business, exacerbating consolidation in the industry and forcing small farmers to get big or get out. America's farmers are the backbone of this nation and should be allowed to grieve the loss of a family member without the added burden of deciding which assets – which quadrant of crop-producing land - they will have to sell to pay a federal tax bill and continue their family's legacy. Additionally, the assets of many farms are tied up in land and equipment, meaning that our young farmers would be hit with a tax bill requiring significant cash-on-hand they simply do not have.

In January, the *Death Tax Repeal Act* was introduced in the House of Representatives with 161 original cosponsors, recognizing both the economic damage the Death Tax causes and the simple fact that treating death as a taxable event is inherently wrong. In contrast, your budget proposals related to like-kind exchanges, stepped-up basis, capitals gains, and estate taxes would raise hundreds of billions of dollars of taxes on the backs of America's farmers and small businesses to help pay your massive \$7.3 trillion dollar budget. By proposing this transfer tax and letting the enhanced estate tax exemption level expire, you are essentially turning the capital gains tax into a Double Death Tax. With so much of our nation's agricultural economy dependent on the transferring of family farms to the next generation, it is critical that we make this transition as easy and affordable as possible. Your budget proposals do precisely the opposite, and our family farms, agricultural communities, and the country as a whole will bear the consequences.

We urge you not to damage the livelihoods of farmers and small businesses everywhere. Your proposals will not only harm the owners of businesses, but all the rural communities that rely on them. Instead, we look forward to working with you to keep the American economy working for the American people. We are committed to supporting small business owners and the millions of small family farms around the nation as they work hard to make a living.

Sincerely,



Randy Feenstra
Member of Congress



A. Drew Ferguson IV
Member of Congress



Mike Kelly
Member of Congress



Ron Estes
Member of Congress



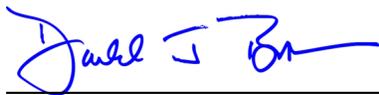
Dan Meuser
Member of Congress



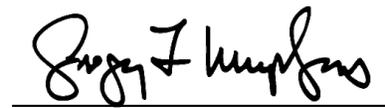
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