

## **Republican Motion #5**

# **PROTECT AMERICA'S FARMERS AND BUSINESSES**

## **Offered by Representative Lloyd Smucker (PA-11)**

Mr. Smucker moves that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule providing for consideration of the bill shall not make in order an amendment that would allow the elimination of stepped-up basis.

### **Background**

- (1) President Biden and Washington Democrats want to impose a second Death Tax by eliminating the step-up in basis. This would result in a mandatory capital gains tax at death—separate from and in addition to the current Death Tax.
  - a. Washington Democrats have discussed including an exemption threshold of \$1 million for individuals and \$2.5 million for couples. Unfortunately, even with an exemption threshold this proposal will impose a steep tax hike and paperwork nightmare for farms, families, and small businesses and violate President Biden's own pledge not to raise taxes on low- and middle-income Americans.
  - b. This has already been tried and failed. In 1976, Congress eliminated stepped-up basis, but it was so complicated and unworkable it was repealed before it even took effect. In 1979, the New York Times even went as far to call the policy "impossibly unworkable."
  
- (2) Ending the stepped-up basis would undeniably and negatively impact American farmers and ranchers.
  - a. According to President Biden's own Department of Agriculture (USDA) analysis, "The Effect on Family Farms of Changing Capital Gains Taxation at Death," 17 percent of small farms, 66 percent of midsized farms, 80 percent of large farms, and 96 percent of very large farms would be burdened with new taxes if the stepped-up basis was eliminated. Moreover, family farms could be subject to capital gains tax increases up to 43.4 percent. Farmers and ranchers facing this increase are responsible for 65 percent of America's agricultural production.
  - b. Meanwhile, the administration has claimed that only two percent of family-owned farms would be impacted, but USDA disagrees. They have found that nearly ten times more family farms would face this tax increase, with an average cost of \$1.8 million.
  - c. An EY study found that eliminating the stepped-up basis, in conjunction with capital gains at death, would destroy 800,000 jobs and reduce our nation's GDP by \$100 billion in just the first 10 years. Looking 12 years down the road, this policy will cost 1 million American jobs.
  
- (3) On September 23, Senate Majority Leader Chuck Schumer, House Speaker Nancy Pelosi, and Treasury Secretary Janet Yellen announced that they had an agreement on the 'framework' of the reconciliation package.

- a. Ways and Means Chairman Richard Neal and Senate Finance Chairman Ron Wyden both shared that they were in on the talks and agreed to the framework. Chairman Neal added that while repealing stepped-up basis is not currently on the menu, he confirmed that “staffs are talking about” it, signaling that it is not off the table.
- (4) Many Democrats are not even onboard with this idea.
- a. May 6, 2021: A group of 13 rural House Democrats representing districts all across the country wrote a letter expressing their concerns to Speaker Pelosi, Majority Leader Hoyer, and Chairman Neal on repealing stepped-up basis.
  - b. May 12, 2021: Rep. Mike Thompson (D-CA), Ways and Means member and Chairman of the Subcommittee on Select Revenue Measures, expressed concerns for farmers in his agriculture-heavy district, saying that this policy could run the risk of killing family-owned businesses and farms.
  - c. June 2, 2021: House Agriculture Committee Chairman David Scott (D-GA), and a senior member of the Congressional Black Caucus, wrote to President Biden underscoring his opposition.
  - d. August 10, 2021: In the Senate, all 50 Democrats voted in favor of a Senator John Thune (R-SD) amendment to the budget resolution to protect family businesses, farms, and ranches through the full benefit of step-up in basis.
  - e. August 10, 2021: Senator Kyrsten Sinema (D-AZ) voted against an amendment to the budget resolution offered by Sen. Catherine Cortez Masto (D-NV) that would not protect the full benefit of step-up in basis for all businesses.
  - f. September 1, 2021: Former Senator Heide Heitkamp (D-ND), who has also served as North Dakota’s Tax Commissioner, discussed on CNBC the negative consequences of repealing step-up in basis.
  - g. September 1, 2021: Former Senate Finance Committee Chairman Max Baucus (D-MT) wrote an op-ed in the Wall Street Journal explaining the detrimental effects eliminating step-up in basis would have on family-owned businesses, ranches, and farms.