

Farm Bureau Wants Death Tax Killed, Stepped-Up Basis Retained

WASHINGTON, D.C. — America's farmers and ranchers applaud congressional efforts to abolish the onerous federal estate tax. But efforts to reform the "death tax" must not lead to new capital gains taxes for farmers and ranchers, according to the American Farm Bureau Federation.

If an important provision known as "stepped-up basis" is not retained in death tax reform legislation, it would force a

family member to pay a steep capital gains tax on an inherited farm. A farmer's ability to pass the family farm on to the next generation would be jeopardized, according to AFBF President Bob Stallman.

In a letter to House Ways and Means Committee Chairman Bill Archer (R-Texas), Stallman stated that if stepped-up basis is not included, "considerable harm will be inflicted" on farm families, "the very group often

cited as the reason for repealing death taxes."

Stallman praised Archer's leadership in announcing plans to mark up freestanding death tax repeal legislation later this month, with a floor vote possibly occurring in June.

"With more than half the House co-sponsoring H.R. 8 — the Death Tax Elimination Act — your announcement of a death tax vote this spring is well timed," Stallman's letter stated.

"We support H.R. 8 because it is a straightforward, logical approach to eliminating death taxes."

Stallman asked Archer to abandon a flawed provision from last year's death tax reform measure that would have eliminated stepped-up basis.

"Elimination of the stepped-up basis would impose a new, potentially huge capital gains tax on farmers and ranchers," Stallman stated. "We are unconditionally opposed to the creation of any new tax, in particular to a tax code change that will increase (new) capital gains taxes on farmers and ranchers."

Stallman's letter explained

that the paramount reason for repealing death taxes is to allow family farms and ranches to transfer to the next generation. Higher capital gains taxes caused by the loss of stepped-up basis would jeopardize those transfers.

"Farmers generally do not leave their operations to just one individual, but rather divide their assets (among) their children," Stallman stated. "This means that (family members) who want to continue farming must buy out their nonfarming siblings. Higher capital gains taxes will make it more difficult for this to occur, producing the same result as death taxes, the destruction of family farms."

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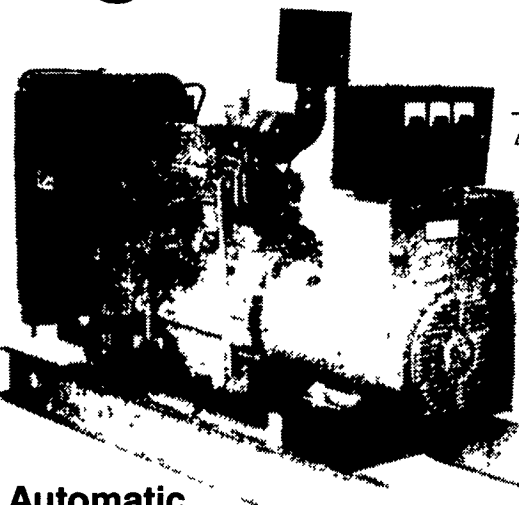
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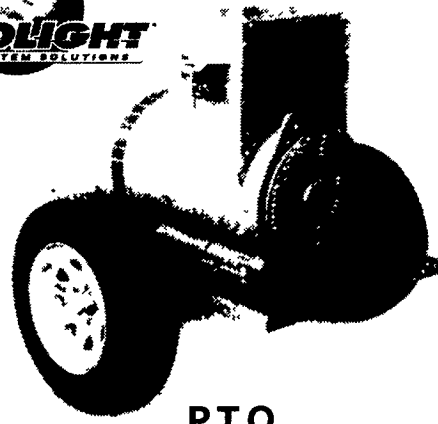
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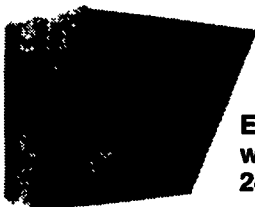
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