April 15, 2013

Congressman Vern Buchanan
2104 Rayburn House Office Bldg.
Washington, DC 20515

Congresswoman Allyson Schwartz
1227 Longworth House Office Bldg.
Washington, DC 20515

Dear Representatives Buchanan and Schwartz,

We commend the Ways and Means Committee for embarking on its thoughtful approach to tax reform and want to participate by offering comments on several items of particular interest to farmers and ranchers. While it is not our intent to represent a comprehensive statement on tax reform, we offer you a common sense way to protect more farms and ranches from the detrimental impact of the estate tax in addition to our comments on two provisions of the small business discussion draft that are valuable to the agriculture industry.

Farmers and ranchers are very appreciative of the significant and permanent estate tax relief that was passed as part of the American Taxpayer Relief Act of 2012. As you may know, most farmers and ranchers are asset-rich and cash-poor, with most of their wealth tied up in the ever-increasing value of the land they use to grow food and fiber for consumers around the world. Unfortunately, for many of these asset-rich and cash-poor family businesses the appraised value of rural land is inflated when compared to its agricultural value. Even though Section 2032A special use valuation can be used by many agricultural operations to protect them from the devastating impact of estate taxes, an expansion of Section 2032A special use valuation beyond its current $1 million limitation would expand the exemption to cover more farm and ranch families who are willing to make a long-term commitment to their businesses. We recommend that there be no limitation on the amount that property values can be reduced to reflect use valuation for estate tax purposes under Section 2032A.

The discussion draft proposes setting the Section 179 small business expensing limit at $250,000, which would be reduced dollar for dollar when expenses exceed $800,000 indexed for inflation. The discussion draft also recommends harmonizing farm and ranch cash accounting rules with other businesses resulting in the termination of cash accounting for family farm corporations with average gross receipts between $10 million and $25 million.

Due to uncertain and fluctuating income that results from weather induced production variations and unpredictable markets that create price uncertainty for the products they produce, we need a tax code that allows us to manage the risks associated with agriculture while complying with our tax liabilities under the law. Cash accounting combined with the ability to accelerate expenses and defer income gives farmers and ranchers the flexibility they need to manage their tax burden. Section 179 small business expensing provides agricultural producers with a way to maximize business purchases in years when they have positive cash flow. For these reasons, we warn against reducing the number of farms and ranches eligible to use cash accounting and support maintaining the current $500,000 Section 179 small business expensing limitation and the $2 million acquisition limit.

Thank you for your consideration.

Agricultural and Food Transporters Conference
Agricultural Retailers Association
American Farm Bureau Federation
American Farmland Trust
American Mushroom Institute
American Sheep Industry Association
American Soybean Association
National Barley Growers Association
National Cattlemen's Beef Association
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Milk Producers Federation
National Pork Producers Council
National Potato Council
National Turkey Federation
Professional Rodeo Cowboys Association
Public Lands Council
South East Dairy Farmers Association
United Egg Producers
United Fresh Produce Association
U.S. Apple Association
U.S. Canola Association
U.S.A. Rice Federation