

November 11, 2019

The Honorable Jimmy Panetta
U.S. House of Representatives
212 Cannon House Office Building
Washington, DC 20515

The Honorable Jackie Walorski
U.S. House of Representatives
419 Cannon House Office Building
Washington, DC 20515

Dear Representatives Panetta and Walorski:

On behalf of our nation's farm and ranch families, the undersigned organizations write to offer our strong support for H.R. 5259, the Preserving Family Farms Act of 2019. This important legislation will help family-owned agricultural businesses transition to the next generation by allowing more land to be appraised on its agricultural value rather than its development value for estate tax purposes.

The farming and ranching sector is dominated by family-owned businesses that in the best of financial times can struggle to survive the death of a family member and business partner. According to the U.S. Department of Agriculture's Economic Research Service (USDA-ERS), farm real estate represents the primary input to production and source of wealth for most farms. Estate taxes, especially if based on inflated land values, can add to the pressures that push a family to sell agricultural land and fragment businesses. The negative ramifications of these actions extend well beyond the harm caused to farm and ranch businesses, impacting the ancillary businesses and rural communities where agriculture is a primary economic driver. When this land is lost to development, agriculture loses its base for production forever.

Section 2032A Special Use Valuation allows farmland to be valued for estate tax purposes on the basis of its current agricultural value rather than on its highest use value (for example as a housing development). Unfortunately, the benefits of Section 2032A have been significantly eroded over the years due to a deduction cap that has failed to keep pace with the rising value of farmland. Since Section 2032A was indexed for inflation, its use limitation has increased 57 percent to \$1.16 million in 2019. Over that same time span agricultural land (which includes buildings) has increased in value by 241 percent.

Expanding the amount of farm and ranch land that can be appraised at its agricultural value will keep more land in agriculture production and prevent estate taxes from breaking apart multi-generation family farms and ranches. Section 2032A is a well-established part of the Internal Revenue Code that is carefully crafted to target estate tax relief. The code spells out that only operating family-owned businesses can use Section 2032A and that estate taxes are recaptured if the family fails to operate the business for at least ten years.

Recent data indicates that overall, development disproportionately occurred on agricultural lands and in less than one generation, the United States irrevocably lost nearly 11 million acres of its best agricultural land to development. Now is the time for Congress to recognize the critical value of family-owned agricultural businesses. With that in mind, our organizations commend you for introducing H.R. 5259, the Preserving Family Farms Act of 2019 and thank you for your

efforts to protect farmland and the farm and ranch businesses who rely on this landscape to thrive.

Sincerely,

Agricultural and Food Transporters Conference
Agricultural Retailers Association
American Farm Bureau Federation
American Farmland Trust
American Horse Council
American Mushroom Institute
American Sheep Industry Association
American Sugarbeet Growers Association
California Association of Winegrape Growers
Farm Credit Council
Livestock Marketing Association
National Association of State Departments of Agriculture
National Association of Wheat Growers
National Cattlemen's Beef Association
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Grange
National Milk Producers Federation
National Onion Association
National Pork Producers Council
National Potato Council
National Sorghum Producers
National Turkey Federation
North American Renderers Association
Panhandle Peanut Growers Association
Public Lands Council
Southwest Council of Agribusiness
U.S. Apple Association
United Egg Producers Association
United Fresh Produce Association
US Rice Producers Association
USA Rice
Western Growers
Western Peanut Growers Association