

**--ORAL TESTIMONY--
U.S. HOUSE COMMITTEE ON SMALL BUSINESS
RUSSELL BOENING, PRESIDENT, TEXAS FARM BUREAU
TUESDAY, APRIL 18, 2023
2:00 P.M. EDT
2360 RAYBURN HOUSE OFFICE BUILDING**

Chairman Williams, Ranking Member Velazquez, and members of the Committee:

I am Russell Boening. My family and I live in Poth, Texas where we make our living farming and ranching. I serve as President of Texas Farm Bureau, the largest general farm organization in the state, representing over 538,000 member-families. I also serve on the American Farm Bureau Federation's Board of Directors.

I appreciate the opportunity to testify before you today on the very important topic of taxes. Farmers and ranchers across the country continue navigating challenges such as high input prices, inflation, extreme weather, and volatile commodity prices, among others.

In fact, when adjusted for inflation, 2023 net farm income is expected to decrease \$30.5 billion, or 18.2 percent, from 2022.

In addition, the average age of the American farmer and rancher is 60 years old with more than a third being at retirement age. It is estimated that more than 370 million acres, or 40 percent of farmland, will trade hands over the next 15 years. These men and women work hard to provide the food and fiber of our country and pass their operations to the next generation. Any additional tax burden on them would put our national food security at risk, increase consolidation, and make America more reliant on foreign countries.

President Biden's budget puts farmers, ranchers, and small businesses squarely in the crosshairs. For instance, the President's budget calls for the elimination of stepped-up basis and doubling the rate capital gains are taxed. These changes combined with the proposed revisions to the death tax law would result in over \$280 billion in tax increases over the next decade.

I am a fourth-generation farmer who has been fortunate enough to hold on to our family property. While we have navigated challenges over the years, my family, and those before us, have worked hard to continue operating. Taking away stepped-up basis would devastate my family and many other farmers and ranchers across the country.

Stepped-up basis has helped us pass our land from one generation to the next because it values the farm at the time of inheritance. If this tool is eliminated, and I pass away, my children would be forced to pay taxes on appreciation from the previous generation.

In Texas, population pressure has driven land values very high, yet left farmers and ranchers no more liquid than they have historically had. To put a finer point on the pressure to take land out of production – since 2014, when I became president of Texas Farm Bureau, 4 million acres have left agricultural production, a reduction of over 3 percent. Nationally, over the last eight years, nearly 20 million acres have been taken out of production.

The tax increases in the president's budget proposal would leave our children with a tax bill that will likely leave them no choice but to sell the property.

To make matters worse, this additional tax burden would come on top of paying the death tax. Of course, this assumes there will still be an estate left to tax after paying capital gains on the assets of the estate.

This means upon my death, after paying staggering capital gains taxes, the federal government would claim up to 40 percent of the taxable estate from my children. This is a cruel way to generate tax revenue to pay for the president's budget proposals.

Anyone who thinks the death tax only affects the wealthy are ill advised. Farming and ranching is a land rich, cash-poor way of life. A farmer might technically be worth several million dollars, but a vast majority of that is land and farming equipment, with only a fraction being money in the bank.

Thanks to the 2017 Tax Cuts and Jobs Act, the estate tax exemption rate was doubled from \$11 million per couple to \$22 million per couple, which helped prevent most family farms from paying the tax.

The president's budget would cut that exemption rate back to \$11 million per couple, saddling American farm and ranch families with a devastating tax burden, often forcing them to sell their property. The lower the exemption level, the more ag land you put at risk of being sold off to the highest bidder.

To put it simply, death should not be a taxable event.

Therefore, Texas Farm Bureau advocates for abolishing the estate tax, or at minimum, ensuring the current exemption rate set forth by the Tax Cuts and Jobs Act does not expire in 2025. We also call for the continuation of stepped-up basis.

There are other important provisions in the Tax Cuts and Jobs Act set to expire in 2025. This includes reduced pass-through tax rates, expanded brackets, and the Section 199A 20 percent business income deduction.

In addition, unlimited bonus depreciation starts to phase out this year.

Texas Farm Bureau calls on Congress and the administration to work together across the aisle to make these provisions permanent and combat tax increases. Family farms and ranches are the building block for a secure America. We must fight for a tax code that provides certainty for their future – not one that puts them in jeopardy.

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