



P.O. Box 27766
Raleigh, North Carolina 27611
919.782.1705

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FAMILY FARM LEGACY THREATENED BY PROPOSED TAX INCREASE

American Farm Bureau President Zippy Duvall and North Carolina Farm Bureau President Shawn Harding share their perspective on the “severe challenge” facing the next generation of farmers if we do not act to protect family farms and farmland now. **Join the fight to protect the future of American farms by visiting ncfb.org/fb-voice today.**

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Many people are already referring to April 26, 2021 as “Apple Day,” the day that the tech giant formally announced it would be locating a new Eastern Campus in Research Triangle Park. And you can understand why the response has been overwhelmingly positive: Apple expects to spend more than \$1 billion on the new 1 million square foot campus, create 3,000 new jobs paying a minimum average salary of \$187,000 a year, and has committed to invest \$100 million in education and \$110 million in infrastructure.

While the impacts of this announcement will be most pronounced in Wake, Durham, and Chatham counties, economists are already signaling that communities as far east as Wilmington could feel the effects. Where Apple goes, others follow, and that means more businesses and more people will be looking to move into the region. And what do these people and businesses need? Land, and lots of it.

There’s about 8.4 million acres of farmland in North Carolina, accounting for more than a quarter of land in the state, but 25 years ago that figure was more than 9.4 million acres. According to The American Farmland Trust, nearly 2,000 acres of US farmland is lost to development every day. North Carolina is the second most threatened state behind only Texas, coincidentally where Apple is building a new campus north of Austin. To be clear, there’s nothing wrong with landowners selling to developers as is their right, but farmers around urban areas are under immense pressure as the value of farmland skyrockets. Wake County

farmer John Burt gets as many as five solicitations to sell off farmland every week. Land previously rented by Mecklenburg County farmers Keith and Wayne Westmoreland is going for \$90,000 an acre. You can hear more from John, Keith, and Wayne in our recent video called ‘Agricultural Land Protection’ on our YouTube channel (youtube.com/ncfarmbureau).

The North Carolina farmer is getting older too, and farmers over 65 outnumber farmers under 35 by nearly five to one. This means that thousands of North Carolina farms are approaching transition, and that’s when urban development collides with issues like capital gains and estate tax. “Apple Day” is a reminder that these issues are not just hypothetical – they are a real and ever-present concern. Current legislation in Congress would burden farmers with crippling taxes and threaten the future of family farms.

In the following commentary, American Farm Bureau President Zippy Duvall shares his perspective on the “severe challenge” facing the next generation of farmers if we do not act to protect family farms and farmland now. Join the fight to protect the future of American farms by visiting ncfb.org/fb-voice today.

If you work in agriculture, you know it’s not just a way of life – it is life. The farms we live on and operate become as much a part of our identity as our last name or our ancestry. I, myself, am a third-generation farmer. I have tried to uphold my family’s legacy with hopes that my children will do the same after I’m gone.

But the next generation of farmers faces a severe challenge if a proposal in the U.S. Senate is passed. The Sensible Taxation and Equity Promotion (STEP) Act would eliminate the stepped-up basis tax provision and tax capital gains at death.

Tax issues can be complicated, and many people’s eyes glaze over when taxes are discussed, but this is important. This could mean the difference between a thriving farm or your children being forced to sell off that farm bit by bit.

This is how stepped-up basis works. When you pass away, your children inherit your farm. As it stands now, the value of the farm is set at the time of the inheritance. If your children choose to sell, they face capital gains taxes on the increase in value since they took ownership. If stepped-up basis is eliminated, they would be forced to pay taxes on appreciation from the previous generation plus appreciation during the time they’ve owned the operation. In some states, that could mean taxes of more than \$1,000 per acre.

What’s worse, there is talk of instituting a “tax at death,” which would force your children to pay capital gains taxes once they have inherited the farm. Imagine dealing with the loss of a loved one and then being forced to take out expensive loans, or worse, sell the farm your parents spent their lives protecting, just to pay the taxes. “Tax at death” would be in addition to any estate

taxes due, so the impact would be especially damaging.

The senators who proposed the STEP Act call stepped-up basis a “loophole” that provides “an unfair advantage to the wealthy heirs every year.” But, make no mistake, collecting capital gains taxes at death amounts to a tax increase on the middle class. Wealthy Americans have teams of attorneys and accountants who can figure out how to protect assets. Middle-class Americans don’t have those resources. The value of a farm is tied up in land and equipment and very few of us have the available cash to pay these increased taxes while keeping the farm running.

This isn’t just an agriculture issue. Eliminating stepped-up basis will affect small, family-owned businesses across the country—from the local pizza shop in town to the homebuilder, and really any American wanting to pass on family assets to the next generation. In fact, a recent study shows eliminating stepped-up basis would cost the economy \$10 billion and 80,000 jobs a year.

The American Farm Bureau is working with lawmakers to help them understand that this plan will kill small businesses, lead to more consolidation and ultimately force people out of their jobs. We urge you to get involved, too. Contact your senator and representative and ask them to protect hardworking Americans who want to pass their success on to the next generation.

President Duvall’s commentary originally published on April 28, 2021 at fb.org/viewpoints/family-farm-legacy-threatened-by-proposed-tax-increase.

 **Now Is Not The Time For A Massive New Tax**
Ask Congress for the continuation of stepped-up basis which supports America’s farmers, like you! Proposed legislation in Congress would tax capital gains at death and eliminate stepped-up basis as a way to raise revenue for government spending. This would be devastating to...

 **The Estate Tax Needs Your Support!**
Farmers and ranchers are disproportionately impacted by estate taxes due to the value of farmland, making it difficult to continue a family business after the death of a loved one. Many of you have experienced the impacts of the estate tax, or death tax. Imagine...

