



September 9, 2021

The Honorable Richard Neal
Chairman
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

We, the undersigned associations, write to state our unequivocal support for the continuation of stepped-up basis. Stepped-up basis prevents family-owned businesses and farms from being hit with two significant and damaging tax bills when a family member passes away—the capital gains tax on any appreciated assets and the estate tax on whatever is left. The FBETC opposes any changes to stepped-up basis that would impose this double death tax and increase taxes on family-owned businesses and farms—including administratively unworkable “protections” that simply delay destructive tax hikes.

On April 29, 2021, President Biden unveiled the American Families Plan, which proposed making death a taxable event for inherited assets and eliminating stepped-up basis, along with unspecified protections for family-owned businesses and farms. It remains unclear how and if these protections would shield future generations from substantial tax increases—but we know that current law *already* provides effective protections for families seeking to pass a business on to the next generation.

Ineffective protections for family businesses have been tried before. For example, in 1997, Congress enacted the Qualified Family-Owned Business Interest (QFOBI) deduction, also known as “family business carve-out,” as part of the *Taxpayer Relief Act of 1997*. This “carve-out” was repealed just four years later by the *Economic Growth and Tax Relief Reconciliation Act of 2001* because it was complex and administratively unworkable, it placed a burden on the next generation, and in practice it excluded most family-owned businesses.

Some have proposed “protecting” family-owned businesses and farms by allowing them to defer realizing any capital gains until the business or farms are sold. While this carryover basis regime delays payment of tax until inherited assets are sold, the total tax bill will be the same as if the gains were taxed at death. Carryover basis is simply stepped-up basis repeal by another name—it

represents a significant tax increase for family-owned businesses and farms, and it is an administrative nightmare.

A previous attempt to implement carryover basis, the *Tax Reform Act of 1976*, was initially postponed three years by the *Revenue Act of 1978* and ultimately repealed by the *Crude Oil Windfall Profit Tax Act of 1980* before it was implemented. Prior to repeal, tax practitioners noted significant difficulties in attempting to determine the basis of inherited assets. The Joint Committee on Taxation's report, *General Explanation of the Crude Oil Windfall Profit Tax Act of 1980*, states:

A number of administrative problems concerning the carryover basis provisions have been brought to the attention of the Congress. Administrators of estates have testified that compliance with the carryover basis provisions has caused a significant increase in the time required to administer an estate and has resulted in raising the overall cost of administration. Congress believed that the carryover basis provisions are unduly complicated and should be repealed.¹

Finally, repealing stepped-up basis will hurt the economy at a critical time. A recent EY report forecasts that 40,000 jobs would be lost every year in the first 10 years after enactment and GDP would decrease by \$50 billion over 10 years if stepped-up basis were repealed via carryover basis.² Carryover basis is not an effective exemption from stepped-up basis repeal for family-owned businesses and farms, and the FBETC opposes any such misguided "protections."

We respectfully urge you to protect family-owned businesses and farms from tax increases by defending stepped-up basis and opposing any changes to current law.

Sincerely,

Amcot
American Bakers Association
American Bankers Association
American Beverage Licensees
American Building Materials Alliance
American Cotton Producers
American Farm Bureau Federation
American Foundry Society
American Horse Council
American Hotel and Lodging Association
American International Automobile Dealers Association
American Lighting Association
American Mold Builders Association
American National CattleWomen, Inc.

¹ Joint Committee on Taxation, General explanation of the Crude Oil Windfall Profit Tax Act of 1980, (H.R. 3919, 96th Congress, Public Law 96-223), <https://www.jct.gov/publications/1981/jcs-1-81/>.

² EY, Repealing step-up of basis on inherited assets: Macroeconomic impacts and effects on illustrative family businesses, https://www.fb.org/files/FBETC_Stepped-Up_Basis_Report_2021.

American Pipeline Contractors Association
American Rental Association
American Seed Trade Association
American Sheep Industry Association
American Soybean Association
American Subcontractors Association
American Supply Association
American Trucking Associations
American Veterinary Medical Association
AmericanHort
AMT - The Association For Manufacturing Technology
Associated Builders and Contractors
Associated Equipment Distributors
Associated General Contractors of America
Auto Care Association
Cellulose Insulation Manufacturers Association
Ceramic Tile Distributors Association
Construction Industry Round Table
Convenience Distribution Association (CDA)
Cotton Growers Warehouse Association
Decorative Hardwoods Association
Distribution Contractors Association
Energy Marketers of America
Equipment Marketing & Distribution Association (EMDA)
Executives' Association of Greater Miami
Family Enterprise USA
FCA International
FMI - the Food Industry Association
Foodservice Equipment Distributors Association
Forest Resources Association
Foundry Association of Michigan
Illinois Corn Growers Association
Independent Bakers Association
Independent Community Bankers of America
Independent Electrical Contractors
Independent Insurance Agents and Brokers of America
Independent Office Products & Furniture Dealers Association
Indiana Cast Metals Association
Indiana Corn Growers Association
Indiana Hardwood Lumbermen's Association
Indiana Soybean Alliance
Industrial Fasteners Institute
International Association of Plastics Distribution
International Dairy Foods Association
International Foodservice Distributors Association
International Franchise Association

International Warehouse Logistics Association
Iowa Corn Growers Association
Kansas Corn Growers Association
Kentucky Corn Growers Association
Main Street Employers Coalition
Manufactured Housing Institute
Maryland Grain Producers Association
Material Handling Equipment Distributors Association
Metalcasters of Minnesota
Metals Service Center Institute
Miami Marine Council
Minnesota Corn Growers Association
Missouri Forest Products Association
Mortgage Bankers Association
NACS
National Apartment Association
National Association of Electrical Distributors
National Association of Home Builders
National Association of Manufacturers
National Association of Music Merchants
National Association of Professional Insurance Agents
National Association of Sporting Goods Wholesalers
National Association of Wholesaler-Distributors
National Association of Women Business Owners
National Automobile Dealers Association
National Beer Wholesalers Association
National Cattlemen's Beef Association
National Community Pharmacists Association
National Confectioners Association
National Corn Growers Association
National Cotton Council
National Cotton Ginners Association
National Council of Agricultural Employers
National Electrical Contractors Association
National Federation of Independent Business
National Grange
National Grocers Association
National Hardwood Lumber Association
National Lumber & Building Material Dealers Association
National Marine Distributors Association
National Multifamily Housing Council
National Office Products Alliance
National Peach Council
National Pork Producers Council
National Ready Mixed Concrete Association
National Restaurant Association

National Roofing Contractors Association
National RV Dealers Assoc. (RVDA)
National Small Business Association
National Stone, Sand & Gravel Association
National Tooling and Machining Association
National Utility Contractors Association
National Waste & Recycling Association
National Wood Flooring Association
National Woodland Owners Association
New York Corn & Soybean Growers Association
North American Die Casting Association
North American Meat Institute
North American Renderers Association
North Carolina Forestry Association
North Dakota Corn Growers Association
Office Furniture Dealers Alliance
Ohio Cast Metals Association
Ohio Corn & Wheat Growers Association
Outdoor Power Equipment and Engine Service Association
Pennsylvania Forest Products Association
Pet Industry Distributors Association
Petroleum Equipment Institute (PEI)
Plastics Industry Association
Plumbing-Heating-Cooling Contractors--National Association
Policy and Taxation Group
Power and Communication Contractors Association
Precision Machined Products Association
Precision Metalforming Association
PRINTING United Alliance
Private Investor Coalition
Small Business & Entrepreneurship Council
Society of American Florists
South Carolina Corn and Soybean Association
Southeastern Lumber Manufacturers Association
Spray Polyurethane Foam Alliance
Subchapter S Bank Association
Texas Cast Metals Association
The Hardwood Federation
The National Grange
The Real Estate Roundtable
The Transportation Alliance
Tile Roofing Industry Alliance
Truck Renting and Leasing Association
U.S. Chamber of Commerce
U.S. Superyacht Association
US Sweet Potato Council

USA Rice
Virginia Forestry Association
Virginia Grain Producers Association
Virginia Small Business Partnership
West Virginia Forestry Association
Western Hardwood Association
Western Pallet Association
WF&FSA, The Wholesale Florist and Florist Supplier Association
Wine & Spirits Wholesalers of America
Wine Institute
Wisconsin Corn Growers Association