

September 8, 2021

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Room H-305, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Room H-204, The Capitol
Washington, D.C. 20515

The Honorable Chuck Schumer
Majority Leader
U.S. Senate
Room S-221, The Capitol
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Room S-230, The Capitol
Washington, D.C. 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader Schumer, and Minority Leader McConnell:

The undersigned Texas-based organizations write to you today to urge you to oppose crippling tax hikes on farmers, ranchers, landowners, manufacturers, businesses, and energy companies. Tax proposals to eliminate stepped-up basis, raise capital gains at death, increase the corporate tax rate, cap like-kind exchanges (LKE) and hinder the continuation of Sec. 199A business income deduction would devastate Texas' economy.

After 18 months of uncertainties and supply chain vulnerabilities caused by the Coronavirus pandemic, farmers, ranchers, and small businesses simply cannot afford additional tax burdens. If enacted, President Biden's proposed hundreds of billions of dollars in tax increases would set our state back and cause irreparable harm.

Stepped-up-basis is a tool primarily used by agriculture and small businesses. If repealed, the effects would be felt through the entire U.S. economy. According to a new economic analysis by the Family Business Estate Tax Coalition, abolishing stepped-up basis and raising capital gains would kill 1 million jobs over the next 12 years and slash household paychecks for workers by \$32 for every \$100 in tax revenue generated.

Texas A&M's Agriculture and Food Policy Center (AFPC) recently conducted a study on the impact eliminating stepped-up basis would have on a selection of 94 farms in 30 different states. The results show that elimination of stepped-up basis would impact 92 of the 94 farms, with additional tax liabilities incurred averaging \$726,104 per farm. While we need infrastructure improvements, this supercharged death tax would make it extremely difficult for family-owned farms, ranches, and small businesses to survive and be passed along to the next generation.

Additionally, capping the use of LKEs, used in real estate and other industries, would put the brakes on long-term economic growth. LKEs allow individuals and businesses to exchange similar assets without tax consequences, such as the exchange of two pieces of farmland. LKEs have been part of the tax code since 1921 and support over 580,000 jobs nationwide with an impact of \$55 billion of annual value added to the economy.

To maintain a reasonable level of taxation for pass-through businesses, it is critical to preserve Sec. 199A business income deduction. Eliminating or reducing the use of this tool would add an additional tax burden on main street businesses, farms, and ranches by further reducing financial resources. In addition, raising the corporate rate from 21% to

28% would make America uncompetitive, with a tax rate that is highest in the developed world and significantly higher than China. This will drive U.S. jobs, headquarters, research, and investment overseas.

One of the hardest hit will be to the 1.4 million American small businesses that are organized as C corporations. According to the Tax Foundation, increasing the corporate rate alone will eliminate 159,000 jobs and reduce wages by 0.7 percent. The U.S. Chamber of Commerce estimates that 159,343 employers in Texas will see their taxes increase under the Administration's proposal. This includes 110,142 small businesses with fewer than 500 employees.

Raising the corporate rate will land heavily on Texas workers, customers, and families who depend on these businesses for a secure retirement and the communities in which these businesses are invested. Tax increases that discourage hiring and investment will only damage the U.S. economy and give our foreign competitors a greater advantage, especially as we recover from the pandemic.

Lastly, the energy and agricultural industries in Texas have taken aggressive steps to reduce America's carbon footprint and significantly reduce greenhouse gases. This has been accomplished through millions of dollars of investment in research, development, and installation of technologies that successfully address climate change issues. Major tax hikes, including a tax on methane emissions, will directly harm the energy sector's ability to invest in more innovation the world can use to positively impact climate change and lead to increased energy prices, both at the pump and in the cost of goods—disproportionately impacting lower income citizens.

In addition, efforts to eliminate tax deductions and benefits for the legion of small "mom and pop" energy operators and individuals who support the energy industry will result in income tax increases for these hardworking small business owners. It will also result in the loss of thousands of jobs, especially in rural areas, an increase in oil imports, a loss of federal tax revenues and minimal savings to the U.S. Treasury.

Funding the government should not come from targeting families who have spent a lifetime building businesses and creating jobs. We respectfully request that you reject these harmful tax proposals to help ensure economic prosperity is created in Texas and across the U.S. We thank you for your consideration.

Sincerely,

Texas Farm Bureau
Texas Association of Business
Permian Basin Petroleum Association
Texas and Southwestern Cattle Raisers Association
Plains Cotton Growers, Inc.
Texas Cattle Feeders Association
Southwest Council of Agribusiness
Texas Corn Producers Association
Texas Wheat Producers Association
Texas Soybean Association
Texas International Produce Association
Texas Agricultural Cooperative Council
Texas Agricultural Land Trust
Texas Association of Texas Soil and Water Conservation Districts

Texas Cotton Association
Texas Cotton Ginners' Association
Texas Quarter Horse Association
Texas Ag Industries Association
Texas Vegetation Management Association
CHB Consulting, Inc.
Western Equipment Dealers Association
Independent Cattlemen's Association of Texas
Texas Poultry Federation
Agriculture Teachers Association of Texas
Exotic Wildlife Association
South Texas Cotton and Grain Association
Texas Sheep and Goat Raisers Association
Texas Forestry Association
Texas Association of Dairymen
Texas Agricultural Aviation Association
Texas Grain Sorghum Association
Texas Independent Ginners Association
Texas Land and Mineral Owners Association
Texas Beekeepers Association
Texas Wine and Growers Association
Western Peanut Growers Association
Lamesa Area Chamber of Commerce
Comanche Chamber of Commerce
Brownwood Area Chamber of Commerce
Brownwood Industrial Foundation Incorporated
Texas Rice Council
South Texans' Property Rights Association
Cotton and Grain Producers of the Lower Rio Grande Valley
Texas Nursery and Landscape Association

CC:

The Honorable John Cornyn	The Honorable Sheila Jackson Lee
The Honorable Ted Cruz	The Honorable Jodey Arrington
The Honorable Louie Gohmert	The Honorable Joaquin Castro
The Honorable Dan Crenshaw	The Honorable Chip Roy
The Honorable Van Taylor	The Honorable Troy Nehls
The Honorable Pat Fallon	The Honorable Tony Gonzales
The Honorable Lance Gooden	The Honorable Beth Van Duyne
The Honorable Jake Ellzey	The Honorable Roger Williams
The Honorable Lizzie Fletcher	The Honorable Michael Burgess
The Honorable Kevin Brady	The Honorable Michael Cloud
The Honorable Al Green	The Honorable Henry Cuellar
The Honorable Michael McCaul	The Honorable Sylvia Garcia
The Honorable August Pfluger	The Honorable Eddie Bernice Johnson
The Honorable Kay Granger	The Honorable John Carter
The Honorable Ronny Jackson	The Honorable Colin Allred
The Honorable Randy Weber	The Honorable Marc Veasey
The Honorable Vicente Gonzalez	The Honorable Filemon Vela
The Honorable Veronica Escobar	The Honorable Lloyd Doggett
The Honorable Pete Sessions	The Honorable Brian Babin