

December 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 timespan 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 indicate 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 that 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 Peach Council  
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  
US Sweet Potato Council  
USA Rice  
Western Growers  
Western Peanut Growers Association