



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 This “carve-out” was repealed just four years later by the *Economic Growth and Tax Relief Reconciliation Act of 2001* because it was complex and administratively unworkable, it placed a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.<sup>1</sup>

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.<sup>2</sup> 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.

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<sup>1</sup> 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/>.

<sup>2</sup> 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](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