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## **Farm & ranch estate tax exemptions win environmental backing**

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Proposed legislation to exempt farmers and ranchers from estate taxes won new support this week when the Environmental Defense Fund (EDF) and the Public Lands Council (PLC) joined in endorsing the "Family Farm Preservation and Conservation Estate Tax Act." That bill, HR 3524, was introduced July 31<sup>st</sup> by Rep. Mike Thompson (D-CA) and co-sponsored by Rep. John Salazar (D-CO).

As with HR 3525, legislation introduced by Salazar in January, HR 173, would amend the Internal Revenue Code to provide for section 2033 "Exclusion of Certain Farmland So Long as Use as Farmland Continues." HR 173 is co-sponsored by Reps. Leonard Boswell (IA), Travis Childers (MS), Mike Coffman (CO), Joe Donnelly (IN), Brad Ellsworth (IN), Baron Hill (IN), Steve Kagen (WI), Betsy Markey (CO), Walter Minnick (ID) and Ciro Rodriguez (TX). Both bills specify that the exemption from estate taxes would continue for as long as the land continues to be used for farming, ranching or conservation easements. The bills also specify that the excluded taxes would be owed retroactively if the land at some point in the future is no longer maintained for farming, ranching or a conservation easement.

A congressional staffer explained that both bills have been referred to the House Ways & Means Committee for consideration. But he pointed out that further action at this point depends on overcoming the major "pay-go" hurdle – meaning that under House rules, offsetting budget savings need to be found equal to the full cost of the tax exclusion. Given the continuing recession and the ongoing search for savings to offset the cost of major health reform legislation, the staffer said finding the needed savings will not be easy.

In a joint letter to Reps. Thompson and Salazar, the Environmental Defense Fund (EDF) and the Public Lands Council (PLC) state that "EDF and PLC strongly support and endorse the Family Farm Preservation Estate Tax Act. We are excited about this legislation and are committed to working with you and your staff to enact the bill." The letter adds that "The estate tax, as currently formulated, promotes the break-up, sale and development of family-owned farms, ranch and forest lands. H.R. 3524 will remove the

financial obstacles that impede the handing down of productive agricultural operations intact to America's next generation of producers and land stewards.”

The Thompson/Salazar bill, HR 3524, states that:

(a) In General- In the case of an estate of a decedent to which this section applies, if the executor makes the election described in subsection (f), the value of the gross estate shall not include the adjusted value of qualified farmland included in the estate.

(b) Estates to Which Section Applies- This section shall apply to an estate if--

(1) the decedent was (at the date of the decedent's death) a citizen or resident of the United States, and

(2) during the 8-year period ending on the date of the decedent's death there have been periods aggregating 5 years or more during which--

(A) the qualified farmland was owned by the decedent or a member of the decedent's family, and

(B) there was material participation (within the meaning of section 2032A(e)(6)) by the decedent or a member of the decedent's family in the operation of such farmland, except that 'material participation' shall also include any rental of real estate and related property between the estate of the decedent or any successor thereto and any tenant so long as the tenant uses the real estate and related property to produce agricultural or horticultural commodities, including but not limited to livestock, bees, poultry, orchards and woodlands, timber and fur-bearing animals and wildlife on such farmland.