

April 8, 2024

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Schumer and Minority Leader McConnell,

On behalf of farmers, ranchers, growers, landowners, and American workers throughout the food and agriculture industry, we write today to urge you to support H.R. 7024, the Tax Relief for American Families and Workers Act and to bring this important legislation to the floor for an immediate vote. As you know, this legislation passed the House of Representatives with broad bipartisan support and is awaiting action in the Senate.

This legislation is critically important to the entire American food and agriculture industry. As detailed in the 2024 Feeding the Economy report, American food and agriculture directly supports nearly 24 million jobs (over 15% of U.S. employment) and is responsible for more than \$9.6 trillion of the country's economic activity – 20% of total U.S. output.

This legislation is especially important for America's farmers, ranchers, growers, and landowners. With low commodity prices, America's agricultural producers are struggling to make ends meet. Unfortunately, they are also facing a series of tax increases as provisions in the Tax Cuts and Jobs Act (TCJA) have either already expired or are set to expire at the end of 2025.

Ninety-eight percent of farms and ranches in this country are operated as pass-through businesses, meaning the business income passes through the business entity and is reported on the individual business owner's tax returns. Unfortunately, many of the individual tax reform provisions that were changed to help pass-throughs in TCJA have either already expired or are set to expire at the end of 2025. We support making all these expiring provisions permanent.

In the interim, we must immediately restore the already expired and slimmed-down business provisions to help these families and to stimulate economic growth.

Bonus depreciation incentivizes businesses to make capital expenditures and frees up cash to allow the business to re-invest in their business to grow and create jobs, which in turn creates economic growth. This provision became even more important to farmers, ranchers, growers, and landowners after the TCJA for two reasons: first, with its expanded application to used property; second, due to the removal of personal property as property eligible for a tax-free Section 1031 like-kind exchange. Agriculture is a capital-intensive business. Without the ability to fully deduct equipment purchases, farmers, ranchers, growers, and landowners are facing tax increases on their 2023, and 2024 tax returns.

Raising the maximum deduction level for Sec. 179 expensing would also be helpful in those instances where it makes more sense for producers to utilize this provision, especially given the inflationary pressures the agriculture sector has been dealing with on the equipment side.

We also urge you to pass this legislation to remove the TCJA requirement that research and development costs must be capitalized and amortized over five years rather than being deducted in the year in which they are incurred. This is hurting many feedyards, biofuels companies, and food processing companies that rely on research and development to improve efficiency and compete with foreign businesses. This provision has artificially increased the taxable income of these companies, leaving many with massively increased tax bills, without the income necessary to make those tax payments.

Finally, we also support the provisions in H.R.7024 that restore the treatment of business income under 163(j). While most production agriculture falls under the revenue threshold for the small business exemption under 163(j), there are an increasing number of operations whose gross receipts push them above the threshold. Qualified farming businesses may elect out of the limitation, but the election requires making an irrevocable decision in an unpredictable industry given the cyclical nature of farm income and requires losing favorable depreciation and bonus depreciation provisions. These considerations can present serious challenges to a production agriculture operation trying to stabilize its farm income year-over-year.

These problems must be addressed this year. Producers and businesses throughout the food and agriculture industry are facing tax increases today and cannot wait a year or more for relief.

We ask that you take up this important legislation immediately and pass it through the Senate to provide much needed assistance to America's farmers, ranchers, growers, landowners, and all workers in the food and agriculture supply chain.

Sincerely,

American Farm Bureau Federation
National Cattlemen's Beef Association
Agricultural and Food Transporters Conference of ATA
Almond Alliance
AmericanHort
American Coalition for Ethanol
American Sheep Industry Association
American Soybean Association
American Sugarbeet Growers Association
Forest Landowners Association
International Fresh Produce Association
Livestock Marketing Association
National Association of Wheat Growers
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Confectioners Association
National Grain and Feed Association

National Grange
National Milk Producers Federation
National Pecan Federation
National Pork Producers Council
National Potato Council
National Sorghum Producers
National Turkey Federation
Public Lands Council
Renewable Fuels Association
United Egg Producers
US Rice Producers Association
US Sweet Potato Council
U.S. Apple Association
U.S. Peanut Federation
USA Rice
Western Growers