



Congress of the United States
House of Representatives
Washington, DC 20515-3605

The Honorable Nancy Pelosi
Speaker of the House
H-232, The Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
H-204, The Capitol
Washington, DC 20515

Dear Speaker Pelosi and Leader McCarthy:

We support bipartisan efforts to defeat COVID-19, reopen our businesses and schools, and reconnect the unemployed with economic opportunity by connecting them with the employers across the country who continue to need workers to fill good-paying jobs. Likewise, we believe efforts to improve and further build out key infrastructure like roads, bridges, water management, and broadband internet are critical to growing a strong economy moving forward. While we share these goals, we write to express our opposition to the use of two tax provisions which could be offered as pay-fors for such initiatives, and which would undermine the financial security of the same American families, small businesses, farmers, and ranchers we are all working hard to rebuild our economy for – the elimination of stepped-up basis allowances from the tax code and the taxation of capital gains at death. A recent EY study found that these two changes to the tax code had the potential to reduce wages by \$32 for every \$100 in new taxes collected, and to eliminate 80,000 jobs per year right now, and up to 100,000 per year by 2030.

As you know, the allowance for stepped-up basis applies uniformly to all taxpayers, protecting all families from unnecessary economic and administrative burdens upon the death of a loved one. Likewise, since its inception, our system of capital gains taxation has recognized that the appropriate time to tax gains on an asset is when that asset is sold.

Unlike the estate tax, repealing stepped-up basis and applying capital gains at death, even with an exemption threshold, would create a massive new administrative burden for nearly every American family, farm, and small businesses. Depending on how long an asset has been held, where it is located, and the number of generations it has passed through, properly valuing appreciation to determine a capital gain could prove to be both expensive and difficult. Comparatively, when a gain is realized from the time it was acquired by its current owner, value at and time of acquisition are much easier to determine and calculate. Deviating from this longtime standard would effectively require the family of every decedent who owns a home, operates a small businesses, or farms or ranches, regardless of the size of the operation, to conduct a thorough appraisal to determine tax liability upon death.

In addition to the administrative burden, we are concerned about the potential detriment applying this new tax would have on employment at a time when our economy is working to rebound from the COVID-19 pandemic. Because assets such as manufacturing equipment and farm land are not liquid and can be difficult to unwind, we are concerned a likely outcome of this new tax would be the sale or closure of farms and small businesses in order to pay it at a time when small business jobs are most needed. We are

also concerned that if value at the time of purchase or acquisition cannot be determined, that capital gains tax would be due on the value of an entire estate or property, a phantom gain which would certainly be detrimental to both housing access and the continuity of small businesses and the jobs they create.

Thank you again for your work to reopen our economy and rebuild our infrastructure. We agree 21st century transportation networks, utilities, and broadband are vital to economic growth as we rebuild our economy and get Americans back to work. We also believe repealing stepped up basis and taxing capital gains at death would be counterproductive to these goals. We oppose their inclusion in any legislation and we look forward to working with you on ways to responsibly fund the improvements needed to ensure America's farms, ranches, and small businesses fully benefit and can continue serving their customers here and around the world.

Sincerely,



ADRIAN SMITH
Member of Congress



MICHELLE FISCHBACH
Member of Congress

Rick W. Allen
Kelly Armstrong
Jody Arrington
Don Bacon
James R. Baird
Jim Banks
Andy Barr
Jack Bergman
Stephanie Bice
Andy Biggs
Gus M. Bilirakis
Dan Bishop
Mike Bost
Mo Brooks
Ken Buck
Ted Budd
Tim Burchett
Kat Cammack
Jerry L. Carl
Earl L. "Buddy" Carter
Madison Cawthorn
Steve Chabot
Liz Cheney
Ben Cline
Michael Cloud
Andrew Clyde
Tom Cole
James Comer
Eric A. "Rick" Crawford

Rodney Davis
Scott DesJarlais, M.D.
Byron Donalds
Jeff Duncan
Tom Emmer
Ron Estes
Pat Fallon
Randy Feenstra
Scott Fitzgerald
Chuck Fleischmann
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Lloyd Smucker
Victoria Spartz
Pete Stauber
Michelle Steel
Elise Stefanik
Bryan Steil

Lisa McClain
W. Gregory Steube
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Glenn "GT" Thompson
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