PROTECTING & SIMPLIFYING

TAX PROVISIONS

Public lands ranchers rely on a predictable tax code that recognizes the unique role of family-owned businesses and the kind of financial investments farmers and ranchers make in their own operations and their communities.

The Tax Cuts and Jobs Act of 2017 (TCJA) provided significant relief and certainty for livestock producers by extending federal estate tax relief and protecting tools like like-kind exchanges, 2032A special use valuations, and the qualified business income deduction. **These provisions will expire at the end of December 2025 without much-needed congressional action to renew.**

DEATH TAX (ESTATE TAX)

98% of American farms and ranches are family owned and operated. The estate tax punishes ranching families at the time of inheritance—sometimes as much as a 40% tax rate. TCJA provided an exemption for estates valued less than $13.61 million (individual)/$27.22 million (couple) with a maintained tax rate of 40%. If Congress does not renew this provision after 2025, the exemption level will drop to $5 million per individual with the same 40% tax rate. **Failure to renew this exemption will put ranchers out of business.**

SECTION 2032A (SPECIAL USE VALUATION – ESTATE TAX)

Section 2032A allows family-owned ranches to value their land based on its actual use, rather than "fair market value" for estate tax purposes. This allows farmers to more accurately represent their operations that are land and asset intensive, but may not have the kind of liquid capital envisioned under the estate tax. This provision recognizes that the actual use of the land may be less lucrative than a strip mall or housing development, but has immense value in continuity of a family ranching business.

STEPPED-UP BASIS

The stepped-up basis provision allows for readjustment of the value of an appreciated asset upon inheritance, effectively resetting the value of land, equipment, and livestock to fair market value. This relieves tax burdens felt by families during a family transition. This provision doesn't expire in 2026, but efforts to repeal this provision threaten the security of family ranches across the West.

SECTION 179 & BONUS DEPRECIATION

TCJA amended both Section 179 and Bonus Depreciation provisions to allow ranchers to maximize their deductions for equipment purchases from their taxable income. Ranches are typically "land rich and cash poor", so maximizing ranchers' ability to maximize available capital for business security makes the industry stronger.

SECTION 1031 (LIKE-KIND EXCHANGES)

Section 1031 allows ranchers to defer taxes when they sell assets and purchase a replacement of a "like-kind". This common-sense provision reduces the likelihood that a rancher would incur significant debt just to undertake normal business investments. While this provision doesn't expire at the end of 2025, retention is crucial for Western economies.

SECTION 199A (QUALIFIED BUSINESS INCOME DEDUCTION)

Section 199A allows livestock producers to deduct up to 20% of their qualified business income from their taxable ordinary income, if they have pass-through business income. This results in ranchers being able to make capital investments in their business. **Failure to renew this provision would cause ranchers to make hard choices on retaining employees.**

PLC RECOMMENDS:

- *Support* extension of these TCJA provisions
- *Support* efforts to repeal the Death Tax in its entirety (H.R1301—Feenstra; S.587 – Thune)
- *Support* efforts to allow public lands ranchers to use the loss of AUMs as a capital loss in the year where the AUM cut occurred.

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