



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 21<sup>st</sup> 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  
Jeff Fortenberry  
Virginia Foxx  
Scott Franklin  
Mike Gallagher  
Mike Garcia  
Bob Gibbs  
Carlos A. Gimenez  
Tony Gonzales  
Bob Good  
Sam Graves  
Mark Green  
H. Morgan Griffith  
Michael Guest  
Brett Guthrie  
Jim Hagedorn  
Andy Harris, M.D.  
Diana Harshbarger  
Vicky Hartzler  
Kevin Hern

Jody Hice  
Clay Higgins  
Ashley Hinson  
Richard Hudson  
Bill Huizenga  
Ronny L. Jackson  
Chris Jacobs  
Dusty Johnson  
Bill Johnson  
Jim Jordan  
John Joyce, M.D.  
David P. Joyce  
Fred Keller  
Mike Kelly  
Trent Kelly  
David Kustoff  
Darin LaHood  
Doug LaMalfa  
Doug Lamborn  
Robert E. Latta  
Jake LaTurner  
Debbie Lesko  
Julia Letlow  
Blaine Luetkemeyer  
Billy Long  
Frank Lucas  
Nicole Malliotakis  
Tracey Mann  
Michael T. McCaul

Warren Davidson  
Dan Meuser  
Mary E. Miller  
Carol D. Miller  
Mariannette Miller-Meeks, M.D.  
Barry Moore  
Markwayne Mullin  
Dan Newhouse  
Ralph Norman  
Greg Pence  
Scott Perry  
August Pfluger  
Tom Reed  
Guy Reschenthaler  
Mike Rogers  
John Rose

Yvette Herrell  
Matthew Rosendale, Sr.  
David Rouzer  
Chip Roy  
John H. Rutherford  
David Schweikert  
Austin Scott  
Pete Sessions  
Jason Smith  
Lloyd Smucker  
Victoria Spartz  
Pete Stauber  
Michelle Steel  
Elise Stefanik  
Bryan Steil

Lisa McClain  
W. Gregory Steube  
Claudia Tenney  
Glenn "GT" Thompson  
Tom Tiffany  
David G. Valadao  
Jeff Van Drew  
Ann Wagner  
Tim Walberg  
Jackie Walorski  
Michael Waltz  
Randy K. Weber  
Brad R. Wenstrup, D.P.M.  
Roger Williams  
Robert J. Wittman