National Farmers Union

UNITED TO GROW FAMILY AGRICULTURE

November 29, 2017

Dear Senator,

On behalf of National Farmers Union's (NFU) roughly 200,000 members we wish to express our views on current efforts to simplify the tax code. While we appreciate the significant efforts to address concerns brought forth by the agricultural community, we oppose this bill in its current form because it falls short in many areas. We are greatly concerned over the negative impact this bill could have on farmers, ranchers, and rural residents and our country's fiscal condition.

The Congressional Budget Office's (CBO) November 26 cost estimate projects that the current bill would increase off-budget deficits by roughly $1.44 trillion between 2018 and 2027. We are alarmed over this estimate from several perspectives. The first is the role this bill plays in increasing our national debt. NFU's grassroots-passed policy expresses deep concern over our nation's fiscal well-being. Past efforts at tax reform have at least begun with the goal of being deficit neutral. We believe it is a grave mistake to abandon such an important goal.

The assessment of the Congressional Budget Office (CBO) as it relates to PAYGO and sequestration is also of significant concern to our farmer members. The Office of Management and Budget would be required by law to sequester $136 billion in fiscal year 2018 and similar funds each successive year. Given the limited number of non-exempt mandatory accounts that can be sequestered, non-exempt programs would need to be sequestered at 100%. That sequestration would eliminate important aspects of the farm safety net, including the Agricultural Risk Coverage and Price Loss Coverage programs. Such a scenario would be devastating to family farmers.

NFU is also alarmed by the impact this bill will have on our nation's healthcare system. CBO projects that the number of people with health coverage would drop by 13 million in 2027. Repeal of the individual mandate is particularly troublesome for farmers and ranchers, who are older and more likely to have preexisting conditions than the average person. Those that cannot risk going uncovered will face premium costs that are 10 percent higher than current baseline projections. Repealing the mandate will make it even more difficult for the congress to stabilize healthcare costs for all Americans.

Current carryback provisions of net operating losses are an important tool that allow farmers and ranchers to smooth income to cope with inherent volatility in commodity markets. Over the last several years, net farm income has declined by roughly 50 percent. The current tax code affords farmers five years in which they can carry back losses. The provision has been especially beneficial during the current economic downturn. Limiting carryback to two years would negatively impact many farmers. Offsetting the changes with additional carryforward authority provides substantially less value.

Repeal of the Domestic Production Activities Deduction (Sec. 199) also represents a significant problem for farmers and ranchers. Members of local agricultural cooperatives benefit directly from this deduction. Cooperatives pass an estimated 95% or $2 billion directly back to their owners. This ensures that capital stays in rural America, helping both businesses and communities alike. Sec. 199 must be preserved in any final bill.

We recognize that changes to expensing provisions for farmers are an effort to simplify the code, but we have several concerns with the changes. The proposed narrowing of like-kind exchanges to real property and the exclusion of equipment and livestock is a net negative for producers who rely on this tool. The change is further compounded by the fact that bonus deprecation expires in 2023. When making investments, producers need certainty. Sun-setting returns us to the uncertainty previously experienced when extender packages had to be passed year after year. The lack of certainty makes it harder for farmers and ranchers to make investment decisions and manage their finances from year to year.

Lastly, individual rate changes will also disproportionately benefit high income earners. NFU policy supports simplifying the tax code, and creating a more progressive tax structure. Doubling the income level subject to the top tax rate for joint filers, while also reducing the top rate is the opposite of progressive. In fact, a couple making $100,000 annually will see a 2.6% cut in rates while a couple making $700,000 a year will see a 3.8% cut to their rates. We recognize that rates alone are not the complete picture, but they are an important component and this structure is problematic from NFU's perspective.

Because of the challenges outlined above, we urge you to vote "NO" on the Tax Cut and Jobs Act. NFU will be scoring this vote in its annual scorecard distributed to our members.

Sincerely,

Roger Johnson

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