August 10, 2021

U.S. Senate
Washington, DC, 20510

Dear Senator,

We, the undersigned organizations representing millions of taxpayers and consumers across the nation, ask you to support S. Amdt. 3106 to the budget resolution, introduced by Sen. John Thune (R-S.D.). This amendment would force senators to go on the record regarding repealing the stepped up basis rule. A repeal of this rule would amount to the imposition of a second, steep death tax on the American people.

Dealing with and processing the death of a loved one is already a trying enough time for any family. On top of this pain, the government implements a death tax on certain inheritances of up to 40 percent. With the repeal of the stepped up basis rule, families would face a second distinct tax of 43.4 percent, as their inheritance would also be treated as a capital gain.

The stepped up basis rule has been in place to protect families from having to pay taxes on gains they never made. The rule states the basis for any capital gains tax will be the value of the asset when they acquired it, as opposed to when it was first acquired by the previous owner. For example, if an inheritor acquires a home worth $2 million that was only worth $1 million at the time of original purchase, the stepped up basis ensures they would only pay capital gains on anything beyond the $2 million valuation. Without it, however, the tax code will tax the $2 million inheritance as part of the estate tax and the supposed $1 million capital gain.

This wouldn't be the first time this misguided effort has been attempted. Congress voted to eliminate the stepped up basis in the 1970s but then repealed that decision before it took effect because it was too complicated and unworkable. For the vast majority of Americans, compliance was impossible.

For an economy just coming out of a global pandemic where family deaths have been a sad reality for many, this tax hike would be especially destructive. The combined rate of these two taxes together would be north of 60 percent – more when factoring state and local rates. Lawmakers recognized that more money in the hands of the American people was key to helping recovery. This rule change learns the wrong lessons from our recent past.

This is also profoundly unfair to inheritors who may not have significant wealth or liquid assets. This change will force the sale of farmland, homes, and even entire businesses just to comply. This will hurt families in rural America particularly hard. Though billed as a tax change to hurt the rich and powerful, repealing the stepped up basis will inevitably lead to small family farms and other businesses selling their land and assets to rich factory farms or other enterprises who can afford the burden.

It is for these reasons – among others – that we ask you to oppose the repeal of the stepped up basis and support S. Amdt. 3106 to the budget resolution, introduced by Sen. John Thune.

Sincerely,

David Williams
President
Taxpayers Protection Alliance

Tom Schatz
President
Council for Citizens Against Government Waste

Grover Norquist
President
Americans for Tax Reform

Pete Sepp
President
National Taxpayers Union

Ryan Ellis
President
Center for a Free Economy

Palmer Schoening
Chairman
Family Business Coalition

Karen Kerrigan
President/CEO
Small Business & Entrepreneurship Council

Matt Kandrach
President
CASE