

FOCUS ON AGRICULTURE

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American Farm Bureau Federation

What Congress can do for Mother Nature

By Lynne Finnerty

Another Earth Day has come and gone. The observance each year on April 22 is an opportunity to recognize our environmental achievements and discuss what more we should do.

The “doing more” discussion usually centers on things like intricate carbon trading schemes and federal permitting processes. Meanwhile, a simple and non-punitive means of environmental protection is staring us in the face.

When farmers and ranchers die, they typically want their children to be able to continue the farming business they have worked hard to establish. These surviving family members have grown up doing farm chores, essentially apprenticing to carry on farming and good stewardship of the land when they start their solo careers. The tradition of passing farms from one generation to the next keeps the farm in the family and sustains agricultural production.

Farm transfers also have environmental benefits. They preserve land that provides open space, serves as wildlife habitat and aids in groundwater recharge. The soil can continue to sequester carbon, and plants and trees keep turning carbon into oxygen, food, fiber, fuel and timber—the ultimate in recycling.

For about the last nine years, surviving family members, who are often cash-poor, have had lower estate tax rates and higher exemption levels. This has enabled more of them to continue farming without having to sell some of their family’s land in order to pay the estate tax. Farmers and ranchers have earned the right to ensure their spouses and kids can continue the family farm operations that they have built up.

Congress in 2001 passed a law to phase out the estate tax by this year, but just for one year. The idea behind the phase-out was that there would be plenty of time for Congress to pass permanent policy by 2010.

You can probably guess what happened. Congress never passed a bill to eliminate or cap the estate tax permanently. It will return in 2011 at the pre-2001 exemption level of \$1 million, with a top tax rate of 55 percent.

The American Farm Bureau Federation is calling for a \$5 million exemption and a top rate of 35 percent. If Congress does not pass meaningful, permanent estate tax relief, don't be surprised if a lot of farmland and its environmental benefits are lost.

Agricultural land values have more than doubled in the last two decades. They easily exceed \$3,000 per acre in areas near cities and vacation destinations. At that value, a farm with just 333 acres will be over the exemption. That isn't even counting buildings, equipment or other farm assets. If the owner dies, his or her family members will have to come up with as much as \$550,000 in order to keep the farm. If they don't have that money, there is probably a developer waiting for their call. Once farmland is turned into housing developments and strip malls, it does not go back to being open space or wildlife habitat.

The impact of the estate tax on environmental conservation puts the tax issue in a whole new light. Sometimes the simplest solutions are the most easily overlooked.

Congress should enact a tax cut for Mother Earth by passing permanent estate tax relief.