



Florida Farm Bureau Issue Brief

Agricultural Policy Division

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Capital Gains Taxes

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Background

The impact of capital gains taxes on farming and ranching is significant because production agriculture requires large investments in land and buildings that are held for long periods of time. Land accounts for 84 percent of assets owned by agricultural producers. On average, farmers own their farmland for 30 years, during which time land values can more than triple.

To remain efficient and profitable, farmers and ranchers must constantly change their businesses to produce the goods wanted by American and overseas consumers. Because capital gains taxes are imposed when buildings, breeding livestock and farmland are sold, it is harder for producers to shed unneeded assets to generate revenue to adapt and upgrade their operations.

Capital gains taxes also threaten the transfer of land to the next generation of farmers and ranchers and put the future of agriculture at risk. Today's average farmer is 57 years old. As producers consider retirement, they set the selling price of land or other assets high enough to recover the cost of capital gains taxes. This increases the likelihood that farmland will be sold for other uses when young farmers and ranchers find it hard to buy from a retiring producer.

The current top capital gains tax rate is 15 percent but is set to increase to 20 percent in 2013. Keeping the top capital gains tax rate at 15 percent is especially significant for farm and ranch owners because they are much more likely to pay capital gains taxes than the population at large. Forty percent of all agricultural producers report some capital gains, nearly double the share for all taxpayers. The average amount of capital gain reported by farmers is about 50 percent higher than the average capital gain reported by other taxpayers.

Farm Bureau Policy

AFBF Policy:

Farm Bureau supports eliminating capital gains taxes and, until that can be accomplished, supports cutting the capital gains tax rate to help farm and ranch businesses improve

productivity and remain competitive in the world market. Farm Bureau supports making the top capital gains tax rate of 15 percent permanent.

Farm Bureau supports a capital gains tax exclusion for the sale of agricultural land that remains in production and when a family business is transferred between parents and children. Capital gains taxes should not be assessed for conservation easement or farmland preservation easement payments, and a taxpayer should be allowed to defer taxes from the sale of property and machinery by investing the proceeds into a retirement account with taxes due at withdrawal.