

# Peer Review Plan

Preliminary Title: The Effect on Farm Operators of Changing Capital Gains Taxation at Death

Type of Report (ERR, EIB, EB, TB, SOR,) EB

Agency: Economic Research Service [X] Influential Scientific Information  
USDA [ ] Highly Influential Scientific Assessment

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Subject of Review: The Biden Administration's American Families Plan, released on April 28, 2021, proposes changing the treatment of capital gains on inherited assets. The proposed changes would make accumulated gains in asset value subject to capital gains taxation at death whereas, under current law, these gains can be passed on to heirs without being subject to capital gains taxation. While these changes would have the potential to impact the intergenerational continuity of family farms, the proposal includes an exemption for closely-held business (including farm) assets inherited by a family member who continues to operate the business. For these assets, heirs would defer any taxes owed on unrealized gains until those assets are sold. The Plan also includes a provision to exempt from capital gains taxation \$1 million in gains for individuals and \$2 million in gains for married couples.

The impact of the proposed changes depends on the amount of gain and the types of assets held by a farm estate. Estates with gains less than the exemption amount would not be affected by the proposed changes. Estates that have non-farm gains greater than the exemption amounts would owe tax at death. Estates that have non-farm gains less than the exemption amount, but total gains greater than the exemption amount would owe no tax at death but would be subject to a potential deferred capital gain taxation on farm gains when the farm assets are sold. Using data from USDA's Agriculture Resource Management Survey (ARMS, 2019) and an internal model of estate and capital gains taxation, this study estimated the potential impacts under the proposed plan.

Purpose of Review: The purpose of the review is to ensure the high-quality of the economic analysis, transparent explanation of methods, objective interpretation of results, and effective communication to the intended audience.

Type of Review: [ ] Panel Review [X] Individual Reviewers  
[ ] Alternative Process (Briefly Explain):

Timing of Review (Est.): Start: 06/24/2021 Completed: 07/12/2021 Withdrawn: XX/XX/XX

Number of Reviewers: [ ] 3 or fewer [ ] 4 to 10 [ ] More than 10

Primary Disciplines/Types of Expertise Needed for Review: Economists

Reviewers selected by: [X] Agency [ ] Designated Outside Organization  
Organization's Name:

Opportunities for Public Comment? [ ] Yes [X] No

If yes, briefly state how and when these opportunities will be provided:

How:

When:

Peer Reviewers Provided with Public Comments? [ ] Yes [X] No

Public Nominations Requested for Review Panel? [ ] Yes [X] No