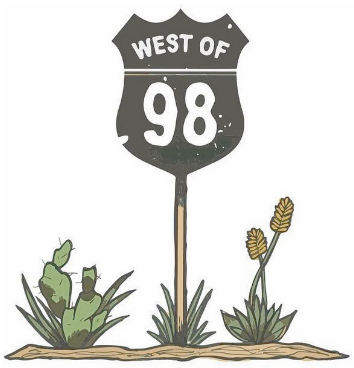

Good Jobs

By James M. Decker

A few months ago, I wrote an essay called "A Post-Pandemic Rural Mindset." In this essay, I tried to consider some of the opportunities that might be available to rural communities, as the COVID-19 pandemic has opened up flexible work options and created new demand for slower living in smaller communities. As I continue to consider that post-pandemic mindset, I have circled back to thinking about jobs.

I have been thinking about revitalizing rural communities (and Stamford in particular) since I was a college student. Ever since I sketched out my earliest, most rudimentary ideas on the topic, one of the critical components has been jobs. Simply put, you have a hard time convincing people to move to a community if they do not have a way to make a living.

Over the last 50 years or so, our piece of rural America has struggled with just that question - providing good jobs to our residents. Our population peaked in Stamford at the height of the labor-intensive agriculture economy, when that economy needed the maximum number of laborers to farm crops and raise livestock. As agriculture became more mechanized, fewer workers were needed and farms and ranches became larger. With fewer people working the land, there were fewer people buying supplies, shopping in stores, buying groceries, eating in restaurants, sending their children to schools, and so on. Not everyone worked in agriculture at the height of Stamford's population, but a large part of our labor force was impacted it by it, whether directly or indirectly.

Nostalgia is a dangerous thing because it can be fueled by selective memory. I have written of my disdain for the term "good old days," because it usually fails to consider whether the old days were actually good for everyone. But as we look back on past prosperity and work towards increasing future prosperity, we can look to *why* those days were prosperous, without trying to recreate something that cannot be recreated. Without a doubt, good jobs are essential to that conversation.

Back in late May, a friend sent me a tweet that achieved semi-viral status within some rural and agriculture circles. A rancher and business owner in a small Colorado town was griping that, of 27 graduating high school seniors in his community, only one planned to stay local. This person complained that local taxpayers had wasted large sums of money educating this group of teenagers who were leaving. This attitude (that students are somehow beholden to a community, regardless of whether job opportunities even exist) did not sit well with me, so I fired off this response:

"Counterpoint: what have local businesses and community leaders done to encourage skills to keep their youth home? Or to return home after getting educated? It's a waste to have total brain drain. It's a bigger waste when a community gives its youth no reason to stay or return."

My tweet sparked some interesting conversation over the next several days. As a result of economic trends, rural communities have struggled to provide suitable job opportunities for their young people. Sometimes, students graduate and leave to get educated or explore the world, then they return. Too often, they do not return (the "brain drain" referenced in my tweet that we have discussed in this space in the past). Our goal in providing job opportunities should not be forcing our students to stay home. Rather, we should give them reasons to WANT to stay home, or to return home.

Job creation is something of a chicken-or-egg thing. How do you attract jobs without having a suitable labor force? But how do you attract a suitable labor force without first having the jobs? I have mulled over this topic in the last few months and I have had a nagging thought that I will explore in more detail next week: in the quest for more, better jobs, maybe our first step is to reconsider how we value the jobs that we have in town right now.

What do I mean? Stay tuned!

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Eliminating stepped-up basis could end family farms

By Jennifer Whitlock
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Tax proposals announced by the Biden administration would repeal the stepped-up basis, increase the capital gains tax rate and make it more difficult for farmers to use like-kind exchanges.

Currently, capital gains are taxed when an asset is sold. But transfers at death are not treated as a sale, and the capital gain is not taxed. In addition, heirs inheriting farmland may increase the tax basis of the property to fair market value without paying capital gains tax.

The property is "stepped up" to current value so that capital gains taxes would only be paid on appreciation since the property was inherited. The current top capital gains tax rate is 20%.

Biden's proposal would repeal the step up in basis for gains over $1 million and collect capital gains atdeath unless the assets are donated to charity.

Preserving the step up in basis tax provision is imperative to keeping farms and ranches in the family, said Texas Farm Bureau (TFB) District 1 State Director Pat McDowell.

As a fourth-generation farmer and rancher in the Texas Panhandle, McDowell takes pride in what he and his family built over the past century. There are plans in place to transfer the farm to his niece and her husband after McDowell and his two brothers retire.

The McDowells grow cotton, corn, hay and wheat. They also have a cow-calf and stocker cattle operation. But with water resources growing scarcer, any potential buyer of the land in the future would likely be interested in using it for hunting or recreational use. The value of the land could possibly be much higher for wildlife than for raising cattle, McDowell said.

Under current law, if his niece inherited and then decided to sell the property, she would only pay capital gains taxes based on the property's value at the time of inheritance, rather than on the increase in value since it was initially purchased.

But all that can change if Biden's proposal passes through Congress as currently written.

"We just see that if the stepped-up basis went away, they'd be taxed on an asset that was purchased so many years ago, and at such an old value, that inflation is going to make their taxes so much higher than what they'd ever bargained for," he said. "Our ranch has been in our family for such a long time, the land has significantly appreciated in value since it was purchased. It's not really fair to her, or any future generation, to pay taxes on the full increase in value from when it was purchased 150 years ago or whenever. Taxes shouldn't drive someone out of business just because they may have to sell some land."

The brothers are actively speaking with estate advisors to determine if they need to re-evaluate their estate plan should the tax eliminations pass.

"There are really no good options," he said. "The stepped-up basis was pretty much the cornerstone of all our estate planning. So, if it gets eliminated, that changes everything."

While eliminating stepped-up basis would be tough for future generations, McDowell said the capital gains tax at death provision would be disastrous for family farms and ranches.

"It could be goodbye ranch, goodbye 100 years," he said. "All the things that we've worked to keep together…if we had to pay taxes at death, that would basically be the end of the operation. That's it, end of story."

To combat the administration's plans to eliminate stepped-up basis and impose capital gains taxes at death, TFB and the American Farm Bureau Federation have been communicating with members of Congress.